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Gravediggers in Sarajevo after a funeral ceremony for a slain Bosnia government soldier on Monday. The city remained generally calm after weekend sniping.

## EU Prospects Look Poor as Norwegians Leave Polls

Reuters

OSLO — Norwegians voted to reject membership in the European Union in a referendum Monday, according to two exit polls broadcast on television moments after polls closed.

One poll, on the private TV2 channel, forecast a wafer-thin majority of 50.2 to 49.8 percent against membership, while an exit poll broadcast on state NRK television forecast a more solid majority against the EU of 52.6 percent to 47.4 percent.

John Darnton of the *New York Times* reported from Oslo:

The vote came after a long hard-fought

campaign on an issue that has obsessed Norway for years, almost since 1972, when 53.5 percent of the voters rejected membership in what was then the European Economic Community.

In that year, Norway became the only European country to say "no" definitively to joining the club, which is intended to knock down the continent's frontiers.

Throughout the past months polls had placed the "no" vote well ahead of the "yes" vote, but the margin narrowed after Sweden's approval of its referendum Nov. 13. Although Norwegians shrink from the thought of taking cues from their neighbor,

the prospect of being the odd man out on the Scandinavian peninsula was daunting.

The signs of ambivalence continued up until, and beyond, the last moment. "I voted 'no' but I'm not sure," said one young man. Stein Inge Jernes. "I regret it already. But if I had voted 'yes' I would be regretting that, too."

On the "no" side, the basic argument was that Norway, blessed with bountiful fishing stocks and Europe's largest oil and gas reserves, is strong enough to go it alone. Why pay extra money to subscribe to a union whose standards are lower in everything from cradle-to-grave welfare

support to environmental purity, ran the refrain.

The center of the opposition was the coastal areas in the north and the countryside in the west. Fishermen worried about throwing open the rich territorial waters to EU countries like Spain and Portugal, and farmers were aghast at the thought of a reduction in subsidies for produce, among the highest in the world.

On the "yes" side, the contention was that oil and gas would not last forever and that Norway must prepare for the future

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## Clinton Makes 11th-Hour Appeal for GATT Approval

Compiled by Our Staff From Dispatches

WASHINGTON — With crucial votes coming this week, President Bill Clinton appealed Monday for passage of the world trade agreement, which he said "builds differences of party, philosophy and ideology."

"It is not a Republican agreement or a Democratic one," Mr. Clinton said at a White House rally on the eve of the first congressional vote on the GATT accord. "It is an American agreement designed to benefit all the American people in every region of our country and from every walk of life."

Imploring lawmakers to approve the pact, Mr. Clinton said, "We have to do it now. We can't wait until next year."

To underscore bipartisan support for the General Agreement on Tariffs and Trade, officials from every administration since President Eisenhower attended the White House ceremony. A pro-GATT letter signed by Presidents Ford, Carter and Bush was released.

The accord would cut worldwide tariffs by a third and lower global barriers to the sale of intellectual property and services.

James A. Baker 3d, a Republican and a former treasury secretary and secretary of

state, said those who had opposed the North American Free Trade Agreement, particularly Ross Perot, were wrong again about GATT.

The misguided and misinformed predicted a vast sucking sound as American jobs went south," Mr. Baker said. "Today, the only sound to be heard is the powerful wind of economic freedom raising prosperity on both sides of the border."

Mr. Clinton also took a jab at GATT foes, saying they are playing on people's fears to defeat a measure that will help Americans in the long run.

Earlier, the chief U.S. trade representa-

tive, Mickey Kantor, predicted passage, saying the votes this week in the House and Senate would be the first test of whether Republicans and Democrats can work together.

"We feel very good today that we can accomplish the ratification this week," he said.

Supporters all along have said the Senate, where a vote is expected Thursday, represents the more difficult hurdle.

Supporters likely will need 60 of 100 votes in the Senate to suspend rules that

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traded accusations over every partition plan for Bosnia advanced by their mediators.

Washington finally came around to a map, European officials maintain, only

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## The Makings of a Palestinian 'Martyr'

From West Bank Village, to Israeli Jails, to a Bus in Tel Aviv

By Barton Gellman  
*Washington Post Service*

KALKILYA, Israeli-Occupied West Bank — For many years they marched in step, two cousins born the same day in this smoldering Palestinian town. Israel's army had arrived just ahead of them. It was the summer of 1967, the summer that changed everything in the West Bank.

They hardened together in the *intifada*, the uprising against Israeli occupation. Wajah Abatli and Salah Souwi were fellow combatants in each skirmish of stones, fellow prisoners in Israel's harsh detention cells. Both, as people put it here, "became organized" in the hard-core resistance, subjecting themselves to the command of men who did not hesitate to kill.

But as the two grew older, they parted ways. Mr. Abatli married, had children and began looking for ways to feed them. He often sneaked into Israel, not to slay his

enemies but to build their houses in illegal construction jobs. Mr. Souwi, the son of Mr. Abatli's mother's brother, left his home and neighborhood and disappeared into an underworld.

Mr. Souwi surfaced on Oct. 19 in Tel Aviv's Dizengoff Square. He had already recorded a videotape, calling himself a "living martyr" and alluding to the violence to come. Now he boarded a rush-hour bus and touched off a massive explosion. Twenty-two people died with him.

What left one man to make such a choice, and another to turn away? That question has preoccupied Israel, and especially its Shin Bet security service, in the weeks since the Dizengoff bombing.

One day last week, in the early morning hours, Israeli soldiers came with bulldozers and knocked down the two-room house where Mr. Souwi's parents lived with their nine surviving children. The idea, the army

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said, was to deter future bombers. But even here, few claim to grasp why the bombers do what they do.

Shin Bet's attempt at a "martyr's profile," according to an official who has been briefed on it, cites obvious factors. "They're young and zealous and probably had some member of the family killed" by Israeli forces, the official said. "But what brings them to the next step, to deciding to become a suicide attacker? Who knows?"

Around the corner from Mr. Souwi's old home, in Kalkilya's crumbling Naqar neighborhood, Mr. Abatli spent two hours recently trying to explain.

"What do you expect from Salah?" he demanded finally, grown weary with the tale. "His brother was killed, he was detained five times, he was tortured, he had nothing to do with his life. What do you

REPLACEMENT WORKERS — Passengers toting their baggage Monday at the Barcelona airport after workers of the Spanish national carrier Iberia walked off the job. The strike, which a government minister called illegal, grounded all Iberia flights and paralyzed Spanish airports. Page 6

Kiosk

## Serial Killer Slain In a U.S. Prison

Jeffrey Dahmer, the Milwaukee man who confessed to murdering 17 men and boys and cannibalizing some of them, was killed Monday in prison.

A fellow inmate was taken into custody, said a state corrections official. A bloody broom handle was found at the scene, but it was not known if it was used to kill Mr. Dahmer. A corrections department spokesman said Mr. Dahmer, 34, had "very severe, extensive head injuries." (Page 6)

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## A New Generation Swells the U.S. Work Force: Women Over 50

By Louis Uchitelle  
*New York Times Service*

NEW YORK — They were members of the last generation to come of age before the women's movement took hold in the 1960s. Marrying early and in huge numbers, they had expected not to work. But their lives have played out much differently.

Women now in their 50s have piled into the U.S. work force in big numbers in the last decade and a half. Today the college-educated among them are as likely to hold jobs as any group of younger women.

The women's movement made a widely accepted alternative to a life centered on the home. But in many cases, the move into the workplace was not the low-pressure choice that these women would have preferred.

While financial pressures have always pushed some

women into the labor force, many college-educated women now in their 50s took jobs for economic reasons largely new to their generation — after divorce left them without enough income, or because a husband could no longer support the family alone.

Whatever the reasons, many women in their 50s who had jobs say the change has been strikingly beneficial.

About 80 percent of the nearly 3 million American women between the ages of 50 and 60 who graduated from college are now in the work force, according to estimates based on new data collected by the Labor Department, which has just begun to break down employment regularly by age and education.

Nearly three-quarters of them hold full-time jobs. Both figures roughly match those of any group of younger college-educated women.

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Employment among all women in their 50s, educated or not, also has risen steeply in the past decade, to 8.1 million women, or 65 percent of this age group, up from 54 percent in 1984. College-educated women accounted for most of the gain, Labor Department officials said.

At the same time, while the number of women in their 50s in the labor force has risen sharply, the participation rate for men in their 50s has fallen over the past decade by more than 2 percentage points, to about 83 percent. The rate for the college-educated among them is higher.

This age group also was the first to experience a high divorce rate — more than 30 percent of all marriages — and many divorced women had to work to support themselves.

Most women now in their 50s took the jobs that

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Dow Jones	Trib Index
Up 31.29	Up 0.41%
3739.56	111.48
4 PM	4 PM
DM	previous close
1.5687	1.5602
Pound	1.5607
98.675	98.775
FF	5.3765
5.3541	

Newstand Prices	
Bahrain	... 0.80 Din
Cyprus	... £ 1.00
Denmark	14.00 D.K.
Finland	... 11 F.M.
Gibraltar	... 0.85
Great Britain	... 5.00
Jordan	... 1.00 D.J.D.
Kenya	... 500 Shillings
Kuwait	... 500 Fils
Malta	... 35 c.
Nigeria	10.00 Naira
Norway	... 15 N.K.
Qatar	... 8.00 Rials
Rep. Ireland	... 1.00
Saudi Arabia	9.00 R.
South Africa	... R 6
Egypt	... E.P. 5.00
Jordan	... 1.00 D.J.D.
Kenya	... 500 Shillings
Kuwait	... 500 Fils
Zimbabwe	... Zim. \$20.00

## Underlying Unity of Serbs Is Demonstrated in Bihac Battle

### Units of Croatia and Bosnia In Attack on Muslim Haven

By Roger Cohen  
New York Times Service

ZAGREB, Croatia — The conflict over the Muslim enclave of Bihac has shown the enduring unity of Serbian purpose in establishing a single, contiguous homeland stretching from Belgrade through western Bosnia to the southern heartland of Croatia.

The battle for this small town in northwestern Bosnia has also shown that despite endless re-

lations and contortions, the United Nations and the North Atlantic Treaty Organization have found no effective means and no acceptable peace plan to combat this Serbian nationalist vision that lies at the heart of the current Balkan war.

Moreover, Western military analysts said that among the impressive array of Serbian surface-to-air missile systems that surround the Bihac pocket on Croatian territory, there is a modernized SAM-2 system whose sophistication suggests that it was probably brought there recently from Belgrade.

The buildup of Serbian weaponry reflects the importance of control of the Bihac enclave, or at least the disabling of Muslim forces there, to the dream of a Greater Serbia.

A vital but long unusable railroad line connecting Knin to Banja Luka and Belgrade runs through Bihac. If the Bosnian government does not control Bihac, western Serbian lands are consolidated.

By this long-term strategic consideration, it seems clear that the Bihac assault has served Mr. Milosevic's immediate purposes.

He has been under increasing U.S. pressure to accept a settlement with Croatia that would oblige him to hand back the oil-rich and fertile Serb-occupied part of Croatia around the town of Vukovar.

This proposed Croatian settlement, conceived by Washington as attainable even as the war continued, has been obliterated by the Bihac attack, which has infuriated Croatia.

Mr. Milosevic, who would do almost anything rather than give back the Vukovar area, bordering the Danube, has thus assumed an important political role.

Four years later, the same Croatian Serbs under the same recalcitrant politicians have come roaring back. This month, they surged over what is supposedly an international border to give decisive help to their hard-pressed fellow Serbs in Bosnia in crushing the Muslim-led government army in Bihac.

"The involvement of Serbs from Croatia in the attack on Bihac has been outrageous," Michael Williams, a spokesman for the UN peacekeeping force here, said Sunday.

This huge intervention in Bosnia of the Serbs of Krajina, the large swath of Croatia that they occupy, has revealed some disconcerting facts at a time when it had become popular among Western politicians to try to deal with Serbia, the Serbs of Bosnia and the Serbs of Croatia as distinct political problems.

Most fundamentally, it has shown that when necessary, the Bosnian Serbian commander, General Ratko Mladić, can lead a mixed force of Serbs from Bosnia and Croatia in pursuit of his conviction that "borders are drawn with blood." With his own army stretched, this was crucial in Bihac.

The offensive has also suggested that President Slobodan Milosevic of Serbia, or at least his army, may not be as absent from the continued pursuit of the Serbian nationalist vision as he has suggested since breaking with the Bosnian Serbs this summer over their refusal to ac-

cept an international peace plan.

Milan Martic, a former provincial policeman who is the leader of the Krajina Serbs, visits Belgrade at the beck and call of Mr. Milosevic. He was there Wednesday. There is no evidence that Serbia's president tried to hold him back from the Bihac assault.

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Using electric cables and what is left of a destroyed house, some Sarajevo children found a way to amuse themselves.

## UN Seeks Cease-Fire at Battered Enclave

The Associated Press

SARAJEVO, Bosnia-Herzegovina — Heavy artillery, mortar and machine-gun fire battered the Bihac area of northwest Bosnia, UN officials said Monday.

The fighting raged as the United Nations waited for a response from the Bosnian Serbs to a call for a cease-fire.

Lieutenant Colonel Jan-Dirk von Merveldt, a UN military spokesman, reported Friday that the UN declared "safe area" that centers on Bihac. He described the situation as tense and unstable.

"Hellish fights are going on

in the outskirts, while the center of town is shaking from artillery detonations and infantry fighting," Hamdija Kablajic, the mayor of the Bihac region, said over a ham radio link to reporters in Sarajevo.

Shelling also was reported to the north in and around the government-held town of Velika Kladusa, which has been raked by artillery, tank and small-arms fire for two weeks.

Peter Kessler, a UN relief official in Zagreb, Croatia, said water had been cut off entirely to Velika Kladusa and partially to Bihac.

Colonel von Merveldt, citing

an overnight field report, said two "stray" rounds fell on the grounds of Bihac's main hospital, where 2,000 patients are jammed into an 800-bed facility. No injuries were reported.

Viktor Andreyev, a UN civil affairs officer from Russia, was reported seeking approval by the Bosnian Serbs of a proposed cease-fire in the Bihac area.

While there was no official response from Pale, the Bosnian Serb stronghold east of Sarajevo, the official Bosnian Serbian press agency indicated that the plan was unacceptable for the Serbs because they are seeking an agreement on the

end of the war throughout Bosnia, with no time limita-

tions.

The Bosnian government late last week proposed a three-month cease-fire, but the Serbs rejected it because they suspect that the weakened Bosnian government would use the time to rally its forces for a fresh offensive after winter ends.

Meanwhile, Belgrade media quoted an unnamed Bosnian Serbian spokesman as saying that the detention of more than 400 UN troops was a "mistake" and that they would be freed. UN aides could not confirm when this would take place.

## EU Patches Over Split on Admitting East

By Tom Buerkle  
International Herald Tribune

BRUSSELS — European Union foreign ministers agreed Monday on a strategy for bringing Eastern European countries into the Union, but only after finding wide differences on trade, aid and farm policies that threatened to split the community.

The German-forged compromise looked very likely to ensure a smooth summit meeting for Chancellor Helmut Kohl in Essen next week, when EU leaders are supposed to formally endorse the plan for the East.

Under the truce that ended the Croatian war in late 1991, the Croatian Serbs were supposed to be disbanded by the United Nations. The meager extent of that disarmament is now as apparent as the absurdity of the UN designation of a town like Bihac as a "safe area," a place that the United Nations is technically bound to protect.

"It was a very disjointed discussion," an EU official said of the ministers' talks here. "It wasn't at all clear they were talking about the same thing."

The most critical part of the discussions

concerned agriculture. Farm subsidies make up half the Union's annual budget of 66 billion European currency units (\$81 billion), and extending them to the millions of small farmers in Poland, Hungary and other Eastern European countries would require a huge increase in spending.

Britain's foreign secretary, Douglas Hurd, argued that the Union should commit itself now to rethinking its farm subsidies to facilitate the entry of the Eastern Europeans.

"That's a discussion that certainly we cannot avoid," he said.

Mr. Hurd was strongly supported by Hans van Mierlo, the Dutch minister, who said the Union also would have to consider trimming internal development aid to poor regions to make way for the East.

But southern EU countries, led by France and Spain, the biggest beneficiaries of existing farm spending, argued successfully against making any commitments on agriculture reform now. Instead, the ministers called on the EU's Executive Commis-

sion to study alternative farm strategies and report back in a year's time.

"It's too early to say more," a German official said. This official said Bonn was determined to avoid a clash over the issue at the Essen summit meeting Dec. 9 and 10.

The ministers put off a decision on trade concessions in favor of waiting for a commission proposal, expected Wednesday, that would amend rules of origin to allow more imports from the East. A commission source said the proposal would be "modest" because of concerns by Portugal that a more generous opening would hurt its textile industry.

Similarly, the ministers put off a tough debate over balancing EU aid to the East with efforts for the Mediterranean region.

They rejected a commission plan to set spending through the end of the decade, instead agreeing to bolster aid about 10 percent next year to 1.1 billion Ecu for the East and 492 million Ecu for North Africa and the Middle East.

him of falsifying commercial documents and embezzling the savings of 9,000 small investors, valued at 30 billion pesos, in the Grand Tibidabo company, part of the financier's maze-like Quial Foundation.

It is a mystery how Mr. de la Rosa

Torras and other disastrous investments.

A major difference between Spain and Italy (and to a lesser extent France) is the absence of a crusading anti-corruption judiciary with any sense of urgency. In Barcelona, Alejo Buxeres Pons, 82, is still on trial for an alleged stock market swindle for which he was indicted 12 years ago.

The former governor of the Bank of Spain, Mariano Rubio, whose signature still appears on banknotes, was arrested in May and charged with evading taxes on speculative stock earnings. He spent two weeks in jail before being released on bail. There is no sign that he or the former chairman of the Madrid stock exchange, Manuel de la Concha, who was arrested at the same time, will be brought to trial any time soon.

In fact, the only conspicuous success of the judiciary this year has been the six-year prison sentence passed last month on Juan Hormaechea, the caudillo of the Cantabria region. The first regional governor to be convicted, the autocratic Mr. Hormaechea threatened not to resign, but finally stepped down this month.

Spain has transformed itself in 20 years from a rightist dictatorship to a democracy with a feisty press that makes venality seem more apparent.

was able to persuade so many people to trust their cash with him, given the family history — his father fled the country in 1979 after being indicted in a property scam — and his own association with a string of spectacular business failures and bankruptcies.

The Kuwait Investment Office lost some 500 billion pesos in the collapse of Mr. de la Rosa's Grupo

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## In Spain, It's Been an Exceptional Year — of Sorts — for Embezzlers

By Barry James  
International Herald Tribune

Even for a country that has lived with a sense of the picaresque since the time of Cervantes, it has been an extraordinary year for Spain.

The former governor of the national bank has been indicted for tax evasion. The chief of the Civil Guard is a fugitive from justice. The governor of one of the country's most important regions has begun a six-year prison sentence for embezzlement. Its wealthiest financier is in jail. And the former chairman of one of its biggest private banks has just been indicted for fraud.

Cases of venality, large and small, have mushroomed to such an extent that a senior judge, Baltasar Garzon, said last week that the government of Prime Minister Felipe Gonzalez had become illegitimate in the eyes of many citizens. Mr. Garzon, formerly Spain's top drug investigator, warned that generalized corruption was undermining the democratic system.

To make matters worse for Mr. Gonzalez, who has not otherwise been the direct target of accusations

himself in 12 years in office, a Madrid newspaper, El Mundo, says that he threw a lucrative government contract in the direction of his brother-in-law, Mr. Gonzalez denies it, and El Mundo has been unable to substantiate its accusation. Still, the publicity

"the unproductive (if not destructive) greed of the drones and locusts of the regime that are eating the nation's patrimony."

What has changed is that Spain has transformed itself in 20 years from a rightist dictatorship to a democracy with a feisty press that makes venality seem more apparent.

Spanish corruption, less institutionalized than in Italy, and less political than in France, has a grotesque quality that sets it apart.

During the eight years he ran the force, he amassed conspicuous wealth and real estate until the government removed him and charged him with embezzlement. The prosecutor said he had taken kickbacks on contracts to build Civil Guard barracks and dipped into the secret slush fund the force keeps to pay informants and conduct undercover operations.

Before he could be brought to trial however, Mr. Roldan dropped out of

sight in April, and the police have been looking for him at home and abroad ever since. Some critics say the government is not looking too hard for Mr. Roldan boasted that he possessed information that could bring down his opponents

# THE AMERICAS / A DAUNTING PROJECT

## Balancing the Budget: Possible Theoretically but 'Painful as Hell' Politically

By David E. Rosenbaum  
*New York Times Service*

WASHINGTON — In mid-January, the House of Representatives will vote on a constitutional amendment to require a balanced federal budget. It will be "our first smashing victory," said Representative Newt Gingrich of Georgia — a safe political forecast.

But then what? If the Senate also passes it, and it is ratified by 38 states and becomes part of the constitution, can the budget actually be balanced early in the next century, as the Republicans promise?

And can they do it, as they claim, without raising taxes or touching Social Security retirement benefits and with cuts in the military budget much smaller than those President Bill Clinton has proposed?

Theoretically, yes. Politically, the prospects are daunting.

In March, Representative Gerald B.H. Solomon, a senior Republican

from upstate New York, proposed such a budget in the House. Only 73 representatives voted for it; 342, including Mr. Gingrich, will presumably be the next speaker of the House, voted against it.

The Solomon budget is important because it is the only existing program-by-program, line-by-line accounting of how the budget can be balanced and meet the Republican specifications of no additional taxes, no reduction in Social Security and military cuts only half as deep as the administration's.

An examination of the fine print shows what the cuts would entail. Beginning in the 1995 fiscal year, they would total about \$700 billion over five years and well over \$1 trillion over seven. Even more cuts would be needed if Republicans followed through on another promise — to reduce taxes.

"It's painful as hell," Mr. Solomon, who is expected to be the new chairman of the Rules Committee,

said in an interview. "But eventually you have to stop talking about it in the abstract and begin dealing with the details."

Under his plan, federal spending on environment would be cut by 44 percent, on agriculture by 72 percent, on foreign aid by 32 percent, on transportation by 29 percent, on community and regional development by 40 percent and on energy by 65 percent.

Medicare and Medicaid spending would be cut by much more than \$100 billion over five years, with upper-income retirees having to pay much more for their health insurance than they do now and poor people restricted to certain doctors and hospitals.

Spending on income security, a budget category that includes welfare and almost all other programs for the poor, would be reduced by \$150 billion over five years, or about 12 percent.

At the same time, spending on job-training would be cut in half. And states would have to pick up part of the cost of food stamps and a larger share of foster-care expenses.

Dozens of federal activities would be abolished altogether, including economic aid to Russia, almost all agriculture price supports, construction of a space station, grants for Amtrak operations and air service to isolated communities, economic development grants to local governments, the national service corps and the legal services corporation.

"This is a radical restructuring of government, cutting or eliminating wholesale huge swaths of the government as we know it," said Martha Phillips, executive director of the Concord Coalition, a bipartisan group devoted to eliminating the federal budget deficit.

The Concord Coalition has its plan to balance the budget. But it

would require wealthy Americans to pay more in taxes and forgo some of their Social Security benefits, provisions opposed by the Republicans.

Gene Sperling, a White House economic adviser, said the spending cuts in the Solomon plan would be "draconian for poor children and go far beyond what many Americans would be reasonable."

But Mr. Sperling said Mr. Solomon deserved credit for "putting forth a line-by-line, item-by-item plan like this."

Mr. Solomon made a few concessions to practical politics. For example, dairy price supports would be retained, while all other agriculture subsidies would be abolished. Why? Perhaps because Mr. Solomon's constituents in the Hudson River Valley produce more than a billion pounds of milk a year.

Many other proposed cuts would surely run into roadblocks. For ex-

ample, Mr. Solomon would turn over the government's air traffic operation to a private corporation, a shift Mr. Clinton supports, saving the government more than \$30 billion over five years.

The main opponent of such a step is the private plane industry, and as long as Bob Dole of Kansas is the Senate's majority leader, the measure is bound to face trouble.

Beechcraft, Cessna and Learjet aircraft are manufactured in Kansas, a state the spokeswoman for the General Aviation Manufacturers Association calls "the capital of our industry."

When the Solomon budget was debated on the House floor in March, a supporter, Representative Dick Zimmer, Republican of New Jersey, declared, "Those of us who advocate a balanced budget have a moral responsibility to get specific and show how it can be done."

But even Republicans voted against the measure by a 2-to-1 margin. Mr. Gingrich said at the time that he opposed it because he did not want to draw attention from a Republican alternative budget that would have reduced the deficit by only a fifth as much as the Solomon plan.

The Republican alternative was rejected more or less along party lines.

Mr. Solomon said last week that many more lawmakers would have supported him if his proposal had stood any chance of being approved. Since it was sure to be defeated, he said, many colleagues saw little point in casting a vote that could be used against them by groups of constituents.

But he said that even next year, with Republicans in control of the House, he was not sure he would get more than about 150 votes on his side.

### POLITICAL NOTES

#### Grooming New Congress: Matter of Style

WASHINGTON — With Republicans eager to take charge in the first Congress they have controlled in 40 years, senators and representatives return to Washington this week to choose the leaders who will set the legislative tone for the next two years.

Ideology is only minimally involved in the leadership fights. The competition is more over styles, conciliatory versus combative. But the legislative record of the 104th Congress may depend more on such mechanics than on the substance of any campaign promises.

Formally, it is the outgoing 103rd Congress that will convene this week, to vote on an international trade agreement that it did not want to scare voters with before the election. But the 104th Congress, with 11 new senators and 37 new representatives, will be holding organizational meetings.

Much attention is focused on contests for leadership positions, especially the job of Senator Bob Dole's assistant leader, a close race between Senator Alan K. Simpson of Wyoming and Senator Trent Lott of Mississippi.

Each is quite conservative. But Mr. Simpson, who has held the job for 10 years, has stronger connections both to party moderates and Senate Democrats, while Mr. Lott boasts of his ties to Representative Newt Gingrich, Republican of Georgia, the speaker-in-waiting. The result of that race seems likely to influence strongly the approach the new Republican majority in the Senate will take, especially if Mr. Dole decides to run for president.

(Adam Clymer/ NYT)

#### Not All Political Promises Created Equal

WASHINGTON — The opening bell of the 104th Congress will not ring for another six weeks, but Capitol Hill's bookmakers have already reached one conclusion about the odds that the House Republicans' ambitious "Contract with America" will be enacted into law:

When it comes to political contracts, not all promises are created equal.

The 10-point "contract commits" House Republicans to a series of up-or-down floor votes on a wide range of tax cuts, spending reductions, welfare reforms and constitutional changes in the first 100 days of the new legislative session.

Drafted by the incoming House speaker, Mr. Gingrich, and endorsed by many Republican lawmakers, the contract contains much that party members agree on. But it is also studded with a number of provisions on which there is anything but a consensus within Republican ranks.

Already, some Republicans are talking privately about trying to split the contract's agenda into two parts.

"First, there are the things that we really need to try to pass and get enacted into law with Clinton's signature," said a senior Republican source. "And then there are the things that we need to vote for, but that some of us won't be terribly upset to see the Democrats kill, or Clinton veto, so they can take blame for it."

(LAT)

#### Making Capital of a Republican Tax Cut

WASHINGTON — The newly dominant congressional Republicans have made cutting taxes on capital gains — profits on the sale of stock, bonds, real estate and other assets — a priority for the new Congress, and had even threatened to hold up the General Agreement on Tariffs and Trade pact unless President Bill Clinton agreed to go along. These Republicans — and some Democrats as well — believe that cutting capital gains taxes would be good for the economy.

Treasury Secretary Lloyd Bentsen, interviewed Sunday on a CBS new show, said the administration was willing to consider a request by Mr. Dole to cut the capital gains tax. Mr. Bentsen said, however, that it was necessary to find a way of compensating for lost federal revenue if the capital gains tax were reduced.

Capital gains now are taxed at a maximum 28 percent, although because deductions and other breaks are phased out for high-income people the effective top rate can be higher.

There are a variety of ways to reduce taxes on capital gains. Current law sets a special lower maximum rate for them, and Congress could simply reduce that ceiling further. Previous laws allowed regular rates to apply, but let taxpayers exclude a portion of their gains from taxable income, effectively lowering the rate.

Another possibility is to adjust the capital gains to allow for inflation. Proponents argue that part of most capital gains is nothing more than inflation, and since that portion does not represent a real increase in value, it is unfair to tax it.

The Republican proposal, as outlined in their House candidates' "Contract With America," would allow corporations and individuals to adjust gains to account for inflation and exclude 50 percent of the gains from taxation.

(WP)

#### Quote/Unquote

"A contract is a contract," said William Schneider, a political analyst with the American Enterprise Institute, referring to the Republicans' "Contract With America" package of legislative changes. "The voters have delivered on their end of it," he said, and Republicans "must at least now make a sincere effort to carry out their promises."

(LAT)

#### Away From Politics

• A tornado demolished a home where 16 people were attending a family reunion in Tennessee, killing two and burying injured survivors in the debris. Storms across the nation — from Northern California to Mississippi to New Hampshire — claimed a total of 10 lives and stymied holiday travelers.

• California's first known death from the so-called flesh-eating bacteria came when Thomas G. Lakin, the chancellor of Ventura County Community College district, died a few days after complaining of a severe sore throat and leg pain. The bacteria, properly known as necrotizing fasciitis, is a virulent, sometimes deadly strain of streptococcus and other germs.

• NASA's Johnson Space Center has banned tests with toxic chemicals because of a poisonous release that turned up a series of safety failures. An internal investigation found poor training and lack of planning were major contributors to the April accident, which sent dozens of center workers to a hospital.

(AP, LAT)



Mr. Sanguinetti, right, and Vice President-elect Hugo Batalla celebrating Monday.

## Uruguay's Ex-President Is Back

*The Associated Press*

MONTEVIDEO — A former president and opposition party candidate, Julio María Sanguinetti, won Uruguay's closest election battle in recent history, the government said Monday.

President Luis Alberto Lacalle of the National Party called Mr. Sanguinetti to congratulate him for having won and invited him to meet to discuss the March 1 transition, an official communiqué said.

Mr. Sanguinetti, 58, an attorney and former journalist representing the Colorado Party, was first elected president in 1985 to oversee Uruguay's transition to civilian rule after 12 years of military dictatorship.

Presidents are barred by law from serving consecutive terms.

In his second term Mr. Sanguinetti will oversee his nation's role in the Mercosur customs union with Argentina, Brazil and Paraguay that begins Jan. 1. The pact is known as Mercosur in non-Spanish-speaking countries.

Uruguay's businesses, which for decades enjoyed protection from foreign competition, have been slow to prepare for Mercosur.

Business leaders say they fear that they will be overwhelmed by a flood of goods from Argentina and Brazil and the rest of the world.

Mr. Sanguinetti said he would seek to increase Uruguay's exports: "We can no longer tolerate a high trade deficit," he said, referring to the \$888 million shortfall for the year that ended Sept. 30.

Returns released Monday by the Interior Ministry, based on 85 percent of the returns, said the Colorados had 586,392 of the votes, compared with the National Party's 566,622 votes and 554,206 for the leftist Progressive Encounter. The nation has 3.2 million inhabitants.

"People know what I'm about," he said shortly before casting his ballot. "I am a worker, and I share their values."

## John Shelby Dies, Ex-IHT Executive

*International Herald Tribune*

PARIS — John Shelby, 55, who held a number of management positions on the business side of the International Herald Tribune, died of cancer Sunday in Trouville, France.

Mr. Shelby was a native of Michigan and a 1960 graduate of the U.S. Military Academy who earned a master of business administration at the University of Michigan in 1965. He joined the newspaper as a marketing assistant in 1969, later becoming head of marketing and director of classified advertising sales.

He left in 1978 to captain a charter barge on European canals and rivers before returning in 1981 to become director of research and development, director of promotion, marketing and public relations and finally personal assistant to the publisher.

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Mr. Shelby resigned in 1989 to pursue other interests — among them as a restaurateur and sculptor — in Trouville, France.

Enrique y Tarancón, 87, was Spanish Cardinal

VALENCIA, Spain (AP) — Cardinal Vicente Enrique y Tarancón, 87, who led Spain's Roman Catholic Church during the country's transition from dictatorship to democracy, died of lung cancer Monday in Valencia.

Although his outspoken defense of workers and demands for more freedom led to frequent clashes with the Franco government during the waning

years of the dictator's 1939-75 regime, the cardinal was highly respected because of his influence at the Vatican and his popularity among Spaniards.

Viola Spolka, 88, whose innovative dramatic training groups gave impetus to two generations of improvisational performers, died in Los Angeles.

Harry Abrams, 87, who twice ran between Los Angeles and New York City in the late 1920s, died of a brain tumor Sunday in Briarcliff Manor, New York.

In the wake of this month's

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## California City Offers a Test Of Religious Right's Agenda

By Seth Mydans  
*New York Times Service*

VISTA, California — In 1992, the religious right established a beachhead in this Southern California city, winning control of the school board after a rough-and-tumble campaign that included many of the issues that now top the national agenda.

The usual work of a school board then took a back seat as its 3-to-2 conservative majority fought to limit sex education, promote the teaching of creationism, curtail breakfast programs financed by the government and reintroduce prayer to the school system.

But in a sharp reversal this month, even as much of the rest of the country was swinging to the right, voters in this generally conservative city of 76,000 turned against the religious right, removing two of the new board members in a recall vote and defeating all five Christian conservatives who ran for the board's three vacant seats.

Opponents of the religious right trumpeted the election results as an object lesson in the unpopularity of its agenda. Supporters called the outcome an anomaly in a year when like-minded candidates swept into office throughout the country.

Another interpretation was that Vista was simply trying to escape the scrutiny the debate had brought the city and was voting for "peace at any price."

Whoever is correct, it was clear in Vista that the election of Christian conservatives to a local school board two years ago was not the end but the beginning of the battle. School board meetings that in the past had attracted 30 or so spectators now drew as many as 600 noisy partisans, as well as reporters and cameras from across the country.

Urgent questions about the budget, school safety and academic policy were buried in the tumult as meetings became a venue for the most elementary tug-of-war over the character and the direction of society.

# International Herald Tribune

PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

## When Baghdad Complies

There are two ways to contain Iraq. One, as the Clinton administration recently demonstrated, is to deter war. The other, which it has neglected, is to encourage moves toward peace.

Washington refuses to acknowledge Iraq's progress on arms control — a serious and potentially dangerous mistake. It may be good domestic politics, but it poorly serves America's international interests. Refusing to recognize positive Iraqi moves discourages further cooperation and drives a wedge between America and other members of the UN Security Council.

Baghdad seriously damaged its credibility last month by staging menacing military maneuvers near Kuwait. After that ploy backfired, it reversed course and recognized Kuwait's sovereignty and borders. But its earlier threats deviated that concession: Iraq must now firm up its assurances that it will never again engage in such provocative conduct toward its neighbors by agreeing to restrict its troop movements, give advance notice of future exercises and admit outside observers.

Still three and a half years after the Gulf War it is time to acknowledge that Washington is not about to overthrow Saddam Hussein. Besides, no better successor is in sight. If Iraq is to be influenced, America needs to talk to the present regime. Instead, the Clinton administration labels Iraq a "rogue state," responsible only to brute force. Iraq is surely an aggressor state, but it can also respond rationally to diplomatic incentives. For two years it has cooperated with UN arms inspectors, and its motive for this cooperation is clear. The resolution ending the Gulf War stated that by complying with arms control requirements alone, even if it ignored other UN resolutions, Iraq could reclaim the right to sell oil on the world market.

That language, promoted by the Bush administration, was meant to focus Saddam Hussein's attention on the most dangerous postwar problem: Iraq's capacity to produce and use biological, chemical and, potentially, nuclear weapons. The resolution succeeded: Iraq began cooperating with arms inspectors late in 1992. While it has not provided crucial information about past suppliers, it has maintained a high degree of cooperation ever since.

But the Bush administration was not prepared to live up to America's side of the deal, and neither, it seems, is the Clinton administration.

UN inspectors are now satisfied that Iraq's most dangerous weapons have been located and destroyed. They are ready to begin an aggressive long-term monitoring program to assure that Iraq builds no more such weapons. A majority of the Security Council's permanent members, eager to do business with Iraq, are prepared to lift oil sanctions after six months of successful monitoring, assuming that problems like supplier information and accounting for missing Kuwaiti nationals can be resolved.

The United States, supported only by Britain, will not agree. Washington, although it never says so directly, has made plain that it will not consider relief so long as Saddam Hussein remains in power. That is no way to encourage Iraqi cooperation on arms control, or to encourage allies to maintain sanctions.

This is an awkward moment for the Clinton administration to reconsider its hard line. But if it does not, Washington may face even more awkward problems from Iraq down the road, and a breakdown of the allied unity on which containment of Baghdad ultimately depends.

— THE NEW YORK TIMES.

## Defend Foreign Aid

The prospect of the Senate Foreign Relations Committee being led by foreign aid's most vehement foes is bad enough. But the incoming committee chairman, Jesse Helms, is not the most serious problem confronting the Agency for International Development. In January, foreign assistance must navigate a congressional gauntlet consisting of a House and Senate firmly in the grip of a skeptical, conservative Republican majority. That is the real challenge to the U.S. foreign aid program.

Whether AID reaches the end of the legislative session in a vanquished or victorious state depends more on the administration's resolve and skill than on the opposition of one outspoken extremist. There is a strong case for continuing help to the developing world, if the Clinton administration wants to spend the political chits to make it. Despite stories of waste and fraud, foreign aid is not an irresponsible giveaway program. On balance it has made sense on economic, humanitarian, security and fiscal grounds.

Contrary to popular belief, only one-half of 1 percent of the total U.S. budget is spent by AID. In fact, the administration is currently operating on the lowest budget in the history of foreign aid. The lion's share of AID's \$13 billion budget is

— THE WASHINGTON POST.

## America Betters Britain

Britain, sometimes romanticized as the mother of some American liberties, is dismantling its own safeguards against compelled self-incrimination — at a time when "Miranda rights" seem to enjoy new respect in the United States.

For years British police have been warning arrested suspects: "You do not have to say anything unless you wish to do so, but what you say may be given in evidence." That seems fair enough, although not as informative as the U.S. version. But Parliament has just changed the rules, prescribing a warning that seems certain to confuse and coerce suspects into forfeiting whatever right to silence they have.

The new warning: "You do not have to say anything. But if you do not mention now something which you later use in your defense, the court may decide that your failure to mention it now strengthens the case against you. A record will be made of anything you say and it may be given in evidence if you are brought to trial."

Thus if an arrested person exercises the right to silence, he may suffer for it at trial. It could cost him the chance to offer a credible alibi in his own defense; the judge or jury would be free to discount the defense because it was originally withheld. That defies not only the safeguards against self-incrimination, but worse, the entire criminal justice tradition of demanding that government prove the case against a defendant presumed innocent.

Alas, the British have nothing to teach their former colonies on this subject. Near-

— THE NEW YORK TIMES.

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## Arm Muslim Fighters and Bomb Serbian Positions

By William Safire

WASHINGTON — Sir Michael Rose, the reincarnation of Neville Chamberlain, has just admitted that his United Nations force of 23,000 Europeans is unable to "deter" Bosnian Serbs from destroying cities that the Security Council has established as safe havens.

That is tantamount to surrender. A ragtag splinter group of Serbs, with no power but the weaponry and willingness to kill civilians, has rendered the poseurs and pontificators of the United Nations helpless and contemptible.

This proves that as a vehicle for concerted military response to an aggressor or violator of human rights, the United Nations is worthless.

Worse, it's abuse of NATO's military power — calling for pinprick responses, taking out an unmanned tank or bombing an airstrip but sparing planes — makes a mockery of the Atlantic alliance's ability to deter by the threat of harsh retaliation.

The demonstration of UN impotence is a plus: we Americans can now stop kidding ourselves about a world police force, and reduce our financial support of the world body to a more equitable 10 percent of its budget.

But the willingness of Britain and France to let NATO be dabbled by United Nations hand-wringers is a big minus. The chasm opened within the alliance could sharply reduce America's involvement in European defense.

This is precisely what France wants. "The conflict in Bosnia," says Foreign Minister Alain Juppé, "has shown the necessity to move beyond NATO and American guarantees." French leaders have long thought they would more easily dominate a European bureaucracy if the Americans would go home.

A U.S. withdrawal of its remaining troops, and the folding of the U.S. nuclear umbrella, is not what Britain wants. But the sustained fecklessness of Prime Minister John Major has made unspecial the relationship built up by strong British leaders through hot and cold wars. General Rose's repugnance at "war-making" when UN havens become war zones symbolizes Britain's last fine hour.

Both France and Britain pretend that America has no standing in stopping the slaughter in Bosnia because it is unwilling to commit myriads of ground troops to battle. Unless you are willing to lead and bleed, they say, you have no right to anger the Serbs who could take our peacekeepers hostage.

ing to commit myriads of ground troops to battle. Unless you are willing to lead and bleed, they say, you have no right to anger the Serbs who could take our peacekeepers hostage.

Nonsense. The choice between doing nothing to stop the Serbs and sending in an overwhelming force of hundreds of thousands of Americans is a false choice.

The real choice is between doing nothing, with UN peacekeeper-hostages continuing to fail to deter the Serbs, and putting into action a NATO strategy to change the course of a war that will be long and bloody no matter what the West does. The peacekeepers have no peace to keep; they cannot stop the Serbs or force the Muslims to surrender. If they are fearful of becoming war-makers, then get them out of the line of fire.

At that point, France and Britain will have no excuse to avoid helping Muslims by lifting the arms embargo, or to hurt Serbs from the air.

Give serious bombing a chance. None of this middle-of-the-night wandering around by a few NATO pilots, jerking in and out of action by a discredited UN commander. Let's see what sustained destruction of bridges and roads, ammu-

nition dumps, oil supplies and barracks, political gatherings and small factories can do to send the Serbs a message.

This approach is derided by the same horde of military experts who said that Iraq would never be conquered by air, as if such a pounding did not greatly soften the resistance of Saddam Hussein's forces. Ah, but Bosnia is mountainous, say the experts, as if modern airpower could not detect metal and heat or the movement of tanks in snow. The counter-ah is that the far weaker Bosnian Serbs are untested by "incoming" rockets and bombs.

America's defeatist defense secretary scoffed at air power's disposative role on Sunday. But, combined with arming and training the Muslim fighters who want to occupy their own country, sustained NATO tactical and strategic bombing of Serbian positions and supplies could level the field of fire.

Yes, it would temporarily raise the level of ferocity. But a rain of unrelenting punishment would also be a powerful inducement to Serbs to end the war on terms already accepted by Muslims. That would save NATO, too.

The New York Times

## On Bosnia, Washington Should Stop Deferring to London and Paris

By Adrian Hastings, Norman Stone, Mark Almond, Noel Malcolm, Branka Magas

LEEDS, England — To lift or not to lift the arms embargo is the central decisive question facing Western policymakers on Bosnia. The American decision to stop enforcing the embargo and the Serbs' advance on Bihać, which depended on their massive superiority in heavy weaponry, have brought it back into the headlines. But in reality this issue has been decisive all along.

The arms embargo has under-

fascist Ustasha state, Bosnia meanwhile, remained unknown.

The third was the notion, already being disseminated in June 1992, that the Serbs had successfully seized so much of Bosnia in the first weeks of the war that a fait accompli had been created which the international community would never be able to reverse. The only way to achieve peace, therefore, was to accept the substance of the Serbs' demands.

The fatal mistake here was to underestimate the tenacity and determination of Bosnians to support their legitimate government and defend the pluralist unity of their country. That refusal to accept defeat has, from an early stage in the war, been the real obstacle to the fulfillment of the British-French policy in Bosnia.

And while Lord Owen, Douglas Hurd and Alain Juppé have exerted more and more diplomatic pressure on the Bosnian government to accept the "peace plan" it has become more and more important for them to maintain the embargo, which keeps those realities artificially fixed where they are.

Maintaining this policy has required a great effort on the part of the British and French governments. They have had to work hard to oppose all the legal, moral and practical arguments which cry out in favor of lifting the embargo.

The legal arguments are clear. This war is not a clash between two mirror images of ethnic hostility. It is a conflict between two different versions of society: one based on the continuation of a multiethnic and multi-religious life through democratic institutions, and the other based on racial-religious purity, established by murder, mass expulsions and the destruction of religious and cultural monuments.

Spokesmen for the British-French policy always fail to mention that the government of Bosnia has retained Croatian and Serbian members throughout the war. It is quite false to talk about Radovan Karadžić as if he represented "the Serbs" en bloc. Of the 1,300,000 Serbs who lived in Bosnia before the war, only 600,000 now live in the territory which Mr. Karadžić controls — even though his forces took over not only all the Serb-majority areas, but many other areas besides.

Roughly 200,000 Serbs still live in the territory of the Bosnian government. In Tuzla, Serbs have even formed a special brigade of Serbs within the Bosnian army. And of the hundreds of thousands of Serbs who have sought refuge abroad, a significant proportion are appalled by what has been done in their name.

In this context, it is particularly wrongheaded to argue — as four

writers did in a contribution from London in this space on Nov. 16 — that establishing Bosnia as an independent state was wrong because the state was bound to be "seen as artificial by so many of its inhabitants."

How many is so many? The majority of Bosnians voted for independence in the referendum, and the reason why many Serbs did not vote was that Mr. Karadžić's henchmen had stopped the ballot boxes from entering those areas.

Fewer than 100,000 men, mainly soldiers under orders, took part in the military operation, directed by a neighboring state, which carved out the bulk of Mr. Karadžić's territory in April and May 1992. Many of them were Serbs from outside Bosnia.

The practical arguments for lifting the embargo are also serious and compelling. Even Lord Owen has begun recently to recognize that no "peace plan" will be accepted by the Serbs until at least a balance of power has been created on the ground. If the Serbian attack on Croatia in 1991 ended after six or seven months, it was largely because a balance of power was developing (thanks to improved supplies of weaponry to the Croats) in which further aggression had become too costly. Mr. Karadžić still has no such incentive to come to the negotiating table.

Defenders of the embargo usually make two claims: first, that lifting it would lead to a terrible escalation of the fighting, and second, that the Bosnian army has plenty of weapons already. The second claim, which blatantly contradicts the first, has become the favorite line taken by British government briefings.

It is strange to hear an embargomed above all on the grounds that it does not work. But the truth is that it does work, in the absolutely crucial area of heavy weaponry. As the Bosnian army breakout round Bihać and its subsequent collapse have shown, the Serbs may be vulnerable to infantry warfare on a wide front, and they may nowadays need more time to move their heavy weaponry around; but once they have concentrated it in any particular counterattack, their massive superiority in firepower virtually ensures success.

As for the argument that lifting the embargo would create a bloodbath and "only prolong the fighting," this is radically misconceived. The Bosnian government is not a mirror image of Mr. Karadžić's regime: the mass murder of civilians is not one of its military objectives. Serbian villages in reconquered areas of Herzegovina live peacefully now under the protection of the Bosnian state.

It is true that, if the embargo were lifted, the level of fighting between the two armies would increase in the short term. But the result, after some significant defeats of the Serbian forces, would be to bring long-term peace much sooner to all the people of Bosnia. When the Bosnian government

asked in October for any decision to lift the embargo, it was not repudiating the policy itself. It was merely recognizing that, as a direct result of the policy pursued by Western governments so far, huge practical difficulties had been created which would necessitate a period of preparation.

The worst problem is that of the so-called safe areas, enclaves in which tens of thousands of civilians are kept in effect as hostages by the Serbs.

In some cases (Zepa and Srebrenica), the local Bosnian government forces have had their weapons confiscated by the United Nations. This presents a remarkable contrast with the "UN Protected Areas" in Croatia, where large armed forces were actively built up by the Serbs, under the noses of the United Nations, before being unleashed in the attack on the Bihać enclave.

The West has helped to create these "safe areas"; and, having helped to prevent the Bosnian army from defending them, it has publicly accepted responsibility for their protection.

Security Council Resolution 836 authorized the UN Protection Force to use force "in reply to bombardments against the safe areas by any of the parties or in armed incursions into them or in the event of any deliberate obstruction in or around these areas to the freedom of movement" of the UN force "or of protected humanitarian convoys." On each of these counts, the UN Protection force has failed consistently to carry out its mandate.

When the embargo is finally lifted, it will become more necessary, not less, for the United Nations to ensure that this mandate is enforced. NATO should be enabled to give full and effective protection to those safe areas from the air. It is both essential and entirely right that any policy of "lift" should include a policy of "strike," as President Bill Clinton previously proposed.

The British-French strategy, which has dominated Western policy for two and a half years, has been both unethical and completely unsuccessful. Only through an enormous exercise in deceit has it lasted as long as it has.

It is time that the U.S. government ceased to allow either its own policy or that of the United Nations to be hijacked by London and Paris, and made to serve a strategy wholly inconsistent with the ideals of democracy and pluralism on which the United States itself was built.

Adrian Hastings is professor of theology at Leeds University. Norman Stone is professor of modern history at Oxford University. Mark Almond is tutor in modern history at Oriel College, Oxford, and author of "Europe's Backyard War." Noel Malcolm is author of "Bosnia: A Short History." Branka Magas is author of "The Destruction of Yugoslavia." They contributed this comment to the International Herald Tribune.

## IN OUR PAGES: 100, 75 AND 50 YEARS AGO

### 1894: Moustache Artist

BERLIN — His Majesty the Emperor greatly admires long and stiff moustaches, in the "Reichsritter officer" style, with points turned up towards the corners of the eyes. Having been told that the hairdresser Haby had a special treatment for this sort of adornment, he sent for him and ordered him to dress the Imperial moustaches daily in the desired style. Haby has since paid a visit to the castle daily, sometimes twice a day, in order to cultivate the Imperial moustaches. The event is the talk of all Berlin, and it is thought that the artist Haby will get the appointment of Hoffriseur (hair curler to the Court).

### 1919: Indecent Dances

Buenos Aires — [From our New York edition:] The military government of general Edelmiro Farrell staged a sensational commercial coup yesterday [Nov. 27] by taking over one of the largest profit-making enterprises in Argentina — gambling. The government issued a decree declaring all casinos and gambling houses "public utilities" and subject to expropriation by the state.

## Rabin Makes Sense on Syria, the Golan and U.S. Troops

By Jim Hoagland

WASHINGTON — Yitzhak Rabin, due in Oslo next week for the Nobel celebration of Israel's free-form, embryonic peace with the Palestinians, was in Washington a few days ago laying the groundwork for an every-dotted, every-hair-in-place accord with Syria. This means that a Syrian deal has at last become a clear and present possibility.

The ever cautious Mr. Rabin was not about to declare that peace is at hand. The Israeli prime minister was instead speaking in serious detail about what is needed to make the deal with Hafez Assad happen. Mr. Rabin does not waste his breath talking to American journalists, senators and community leaders about things that are not going to happen.

In similar conversations in America not long ago he shied away from talking details on Syria. This time he was here not only to raise funds for Israel and check out the political

earthquake that hit the Clinton administration on Nov. 8, but also to build support for an American military presence on the Golan Heights as a key ingredient in finishing a broad Arab-Israeli peace.

The idea of replicating on the Golan the small U.S. Sinai force that monitors the peace treaty signed by Anwar Sadat and Menachem Begin has stirred surprisingly strong opposition among Israel's supporters in Congress and in the press. I found the case Mr. Rabin made on his visit highly persuasive.

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As is often true with political leaders, the way Mr. Rabin talked was at least as revealing as what he had to say. In dinner toasts and breakfast interviews, he went out of his way to praise Mr. Begin, the hard-line Likud leader who agreed (in Mr. Rabin's words) to let about 1,000

American troops "monitor the military annex" of the Camp David accord.

Message to the Likudniks who have been rallying American opposition to Mr. Rabin's Golan efforts: Don't attack me for doing what Likud's only great leader has already done.

American troops on the Golan would not operate as a police force for the international border, Mr. Rabin stressed. "They would not be there as a tripwire." He portrayed the tasks the Americans would perform as technical, "supervisory" ones — checking sensors and fences, etc.

That is what the force in the Sinai and a similar UN force established by Henry Kissinger's 1974 disengagement agreement on the Golan have done, both without serious incident, for nearly two decades.

Mr. Rabin laid heavy emphasis on Mr. Assad's having

fulfilled his agreements with Israel and the United States. As would anyone trying to win an argument, he skated past other facts, such as Syria's repeated betrayal of deals with fellow Arabs on Lebanon.

But one reason that peace is possible on the Golan now is that Mr. Rabin understands Syria. Syria is a place of controlled malice. Syria is more than a state; it is a police state, and an efficient and brutal one.

Mr. Rabin talks about dealing with Yasser Arafat and the Palestinians as if he were talking about coping with a high school cafeteria food fight. With Syria, he is negotiating over a seated black-tie banquet that can proceed only when all the diners' game have been checked. Everything must be in place before the first course gets served.

That means that Mr. Assad has to do his part — which he hasn't. "Assad has not done 1 percent of what Sadat did to convince the Israeli people that

he wants peace," the Israeli prime minister says.

Like President Bill Clinton, Mr. Rabin believes that Mr. Assad can be induced to do this. But the Israeli leader is openly frustrated over how long and hard the task is.

Writing after talking with Mr. Rabin, New York Times columnist Safire concluded that putting American troops on the Golan would (1) expose those troops unnecessarily to terrorist attack; (2) cause America to become "neutral" between Israel and a state like Syria; (3) "compromise" Syria's freedom of action to strike Israel; (4) diminish American respect for Israel's self-reliance (IHT Opinion, Nov. 25).

Those fears seem exaggerated to me, especially after listening to Mr. Rabin.

For his part, Mr. Rabin pointed to the consequences if America refuses in 1994 to do what it did in 1979 in the Sinai and 1974 in the Golan. A refusal, he suggested, would provide a troubling answer to the questions of what role America now intends to have in world affairs, and whether or not America is withdrawing into isolationism.

America can scarcely afford that answer. And Mr. Rabin knows that it would be a devastating turn of events for Israel as well. That is why he made sure the road to Oslo passed through Washington first.

*The Washington Post.*

## Fathers Simply Must Make Time

By William Raspberry

"There's beauty and wonder in that," he says, "but there are also the boys whose mothers, try as they might, cannot overcome the influence of the street, of the male group, of the gang."

"I believe the connection between man and child — son or daughter — is very, very important," he says. "I speak here from sad personal experience. I, as you know, had some very difficult decisions to make about my own personal life. My marriage wasn't doing well, wasn't holding together, and there seemed to be great reason to, perhaps, break it apart. And I finally concluded that the most important thing in my life was the obligation to my children."

"It's not what I had expected at the end of a conversation that focused on the effect of

### MEANWHILE

a resurgent Republican Party on the domestic problems confronting the Clinton administration. But Mr. Cisneros is saying he doubts that most of the problems his agency has to deal with can be solved if we don't find a way to reconstruct families and communities.

"When I go to the 'housing projects in the south side of Chicago,'" he says, "what I see is a building that, if it has 100 units in it, 95 are headed by single women. They just can't get up with their sons. It's just not in the cards."

He recognizes the trickiness of what he is saying and quickly makes his obeisance to the women whose sons achieve success and give all credit to their strong, often single, mothers.

What Mr. Cisneros is talking about is not just the warm fuzzy feelings generated in Norman Rockwellian father-child relationships. He is talking about the virtually insurmountable difficulty of raising straight and confident children — especially boys —

*The Washington Post.*

### LETTERS TO THE EDITOR

#### Muslims, Serbs, Croats

Vanita Singh (Letters, Nov. 4) gives a misleading account of secular, democratic and multicultural Bosnia-Herzegovina. The criteria set by the European Community for according recognition to the former republics of Yugoslavia, together with safeguards for the rights of all ethnic communities enshrined in the referendum held in April 1992, formed the basis on which Bosnia was admitted to the United Nations.

Some elements of the Bosnian Serbs who allowed themselves to be used by President Slobodan Milosevic of Serbia for advancing his designs of a Greater Serbia did not participate in the referendum and acted as his surrogates to unleash a proxy war of aggression with the support of the Serbian-led army of former Yugoslavia.

The harmony maintained among the ethnic mix of Bosniacs who are putting up a united struggle against Serbian aggression has reflected the true spirit of the United Nations. The Bosnian government comprises all three communities. The presidency is to be held alternately by a Bosniac, a Croat, and a Serb. The current president, Alija Izetbegovic, is due to be replaced by Krešimir Zubak, a former Croatian judge, as soon as the state of emergency created by the war is ended.

S. A. MOID.

London.

Regarding the editorial on the UN-NATO strike against an air base used by Serbs in Croatia, "A Useful Operation" (Nov. 23):

The Bosnian Serb counteroffensive against the 5th Corps of the Bosnian

Army in the Bihać pocket is entirely justifiable. The 5th Corps poses a serious threat to peace in Bosnia and must be disarmed. In August, the 5th Corps forced 30,000 Muslims to flee their homes after defeating the forces of the Muslim opposition leader, Fikret Abdić. Three weeks ago the 5th Corps attacked and destroyed Serbian villages south of Bihać, resulting in 10,000 Serbian refugees.

By defeating the 5th Corps, the Bosnian Serbs will hopefully convince the Bosnian Muslim leaders in Sarajevo that the Bosnian conflict can be resolved only by negotiation and not by force.

GEORGE TINTOR.

London.

#### Turkey and Terrorism

Regarding the report "War on Kurds Strains Turks' Ties to Allies" (Nov. 18):

Turkey is not fighting a war against its ethnic Kurds, who are an integrated, active and central element in Turkish society. We are seeking to defeat a ruthless terrorist movement and to protect the great majority of the Kurdish community in southeastern Turkey from attacks that have murdered local civilians by the thousands. A spokesman for the PKK terrorist recently described Kurds who differ from his organization's objectives as "not human" — which is presumably how they justify their atrocities.

Farmers and teachers, lawyers, men of religion and health workers are regularly killed in cold blood by the PKK. Its members extort money from Turkish citizens in Europe and North America. That is why

the PKK and its offshoots are banned in France and Germany, and Interpol tracks PKK activities across the world.

The Turkish armed forces in southeastern Turkey are working within a framework of law to overcome terrorism. It is time that democratic countries showed greater support and understanding for one another in confronting the men of violence.

MERHİ KILİGASLAN.

Press Counselor.

Turkish Embassy.

London.

#### Who Is Disinterested?

In response to "Defining the U.S. Interest" (Letters, Nov. 15):

The United States does not have a monopoly on "self-interest" when it comes to interventions and problem solving. I can not think of one state in history which has operated solely out of altruism.

PATRICIA GREER.

Stonchaven, Scotland.

#### Parole for a Terrorist

In response to "Red Army Is Now History. So Germany Orders a Parole" (Nov. 18):

She has shown no remorse for her part in a 1972 attack on a U.S. base, but Iringard Möller is to be freed nevertheless. While they're at it, maybe the German courts could make the three slain American servicemen "undead." A life sentence for random terror, right or left, should never be anything less than a life sentence.

BILLIE ANN LOPEZ.

Vienna.

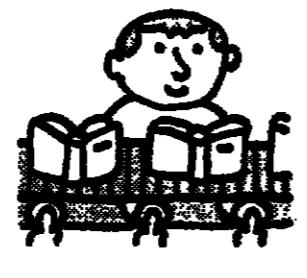
### BOOKS

#### WHAT THEY'RE READING

• James Tate, whose "Worshipful Company of Fletchers" won the 1994 National Book Award for Poetry, is reading "The Letters of Mrs. Henry Adams 1865-1883."

"I am usually reading 20 books at the same time about history, or philosophy, or whatever subject you can think of, and this is the one that I'm mentioning since you asked me."

(Lawrence Malkin, IHT)



member of the Marxist regime who became an outcast overnight. After the Wall went down, Rungé lost her university job because she had been an informer for the Stasi. Although she remained an atheist, she hosts Seider, supervised by a virulent anti-Communist religious traditionalist from the ultra-Orthodox Lubavitcher sect. The Lubavitchers with their missionary zeal of "near Christian proportions . . . have found fertile ground in Eastern Europe, where Jews for the first time in their lives are trying to learn about Judaism."

The Peltz (Yiddish for settlement) in Paris, better known as the Marais, with its mix of cooking smells from central Europe and North Africa, is wonderfully described. We get the history of the Finkelszajns, who run the best deli on Rue des Rosiers, and the Naouï brothers who started out selling carp and went on to make smoked salmon the chic dish at Parisian dinner parties.

The author spends affectionate detail on his chosen few — Zionists, Orthodox, Reformed and secular Jews, all seeking a sense of community — he talks about the marvels of kosher vodka in Poland, filmmaking in Hungary, jazz in Czechoslovakia. But he hasn't much to say about French culture and is critical of the assimilated Jews who have always been a significant part of the French scene. Pierre Mendès-France is put down for his refusal to show favor to Jewish causes; there is surely more to say about this fascinating man who suffered humiliation and jail under Vichy. And not a word about Claude Lanzmann's "Shoah," one of the most important French films of the last decade, which takes place on the very ground this book explores.

Kurlansky has written a timely and tendentious book, almost as provocative for what it excludes as for the territory it covers.

*International Herald Tribune*

### CHESS

By Robert Byrne

BORIS GULKO won the 1994 United States Championship. In Round 8 he beat Gregory Kaidanov.

With 3...Nf6, Kaidanov transposed into a gambit that also arises in the Center-Counter Game after 1 e4 d5 2 ed Nf6 3 e5 c6. Gukko declined the pawn offer with 4 d4. And after 4...cd 5 Nc3 6 Nf3 the game settled into a main line of the Semi-Tarrasch Defense.

The chief feature of the position after 7 cd Nf5 is the isolated d4 pawn. It has always been supposed to favor White some chances for a mating attack because it makes possible superior control of central space.

The move 10...Bf6 is one of the preferred courses of completing Black's development.

Kaidanov/BLACK

B7 Kb7 14 Qd4 Nc3 15 Qc3 f6 16 Be3 does not solve Black's problems: his king is a bit exposed and White remains a lead in development.

The trouble with Kaidanov's 11...Bd7 12 Bc2 Rb8 13 Ne4 Be7 14 Qd3 was its passivity; its threat of 15...Ncb4 16 ab Nf6 was stopped by 15 Bd2. Gukko's 16...b4 seized queenside space without diminishing his chances for attack against the black king.

While Kaidanov floundered about with 21...Qe7, Gukko struck a smashing blow with 22 hg 23 Ne6 fe 24 Re6.

Kaidanov tried 24...Bf7, but Gukko tore through that defense with 25 Rg6. Kaidanov could not accept the sacrifice with 25...Bxg6 because Gukko's 16...b4 seized queenside space without diminishing his chances for attack against the black king.

On 26...Kf7 27 Re1, Kaidanov overstepped the time limit and was forfeited. But there was nothing he could have done to ward off Gukko's overwhelming onslaught. The main threat was 28 Qf5 followed by 29 Rb6 mate. On 27...Kd7 28 Qf5 Kc7 29 Qf7, there would have been no way to put the Hungry-Dumpty of the black position together.

Zoltan Gárdos, born two years after the Hungarian uprising, discovered his father's painful past: His family had been deported to Auschwitz and killed. Zoltan went on a search for identity, with the help of a rabbi. "What did it mean to be Jewish? Was it a nationality, like being Hungarian? Or a religion that they did not know how to practice? If it was a nationality, then did they belong in Israel?"

The author cares for his characters, never trivializing their stories. His own editorial voice is strong, though intrusive; he does not hide his feelings and he does not stop at schmaltz. One of his most colorful — and controversial — characters is the East Berlin Irene Rungé, a

Position after 24...Bf7  
QUEEN'S GAMBIT DECLINED

White  
Gukko  
1 e4  
2 ed  
3 Nf6  
4 Nc3  
5 e5  
6 cd  
7 ed  
8 Qd4  
9 O-O  
10 Rb1  
11 Bc2  
12 Bf7  
13 Nf5  
14 Qd3  
15 Qc3  
16 Be3  
17 Bf7  
18 Ncb4  
19 Rb8  
20 Rg6  
21 Kf7  
22 hg  
23 Ne6  
24 Re6  
25 Rg6  
26 Kf7  
27 Re1  
28 Qf5  
29 Rb6  
30 Kd7  
31 Qf7  
32 Qf8  
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107 Kd43  
108 Qf43  
109 Kd44  
110 Qf44  
111 Nd4  
11

## PLO Talks To Israel On Voting

### Arafat and Peres Seek Donors' Aid

Reuters

BRUSSELS — Foreign Minister Shimon Peres of Israel and Yasser Arafat, the Palestinian leader, discussed prospects for elections in the occupied territories and urged donors Monday to pump funds into the region to bring stability.

Flanked by Mr. Peres, Mr. Arafat said the two sides hoped to overcome "all of the problems we had so that we have the opportunity to have free elections in all the Palestinian territories."

"The Israelis understand our need for quick elections," he added at the Brussels news conference, "but at the same time we also have to understand the necessity for security."

Under the limited self-rule accord signed by Israel and the Palestine Liberation Organization, elections were to have taken place in July in the Gaza Strip and Jericho and parts of the West Bank still administered by Israel.

But talks bogged down over the nature and size of the elected assembly and whether Palestinian groups that rejected the self-rule deal should be allowed to seek office.

Fourteen people were killed Nov. 18 in clashes between Palestinian police and demonstrators in Gaza, the worst internal violence since Palestinian self-rule began in May.

Mr. Peres said negotiations had reopened in Brussels over when voting should take place.

"Today we have agreed on an agenda. I don't think that we need to negotiate publicly," he said, adding, "Basically, whatever is democratic is acceptable to us."

Mr. Peres and Mr. Arafat said they would pressure a meeting of donors that starts Tuesday in Brussels to provide the money they promised to rebuild the occupied territories.

The donors' last meeting broke down in disagreement over the Palestinians' inclusion of Jerusalem in projects that should be supported.

Palestinians consider East Jerusalem, which is mainly Arab, to be the capital of a future state, but Israel says that East and West Jerusalem are united and remain its "eternal capital."

In 1993, donors pledged more than \$2 billion over five years for projects in the occupied territories, with \$700 million to be paid out this year.

"We have only received \$60 million so far because some countries did not keep their commitments," Mr. Arafat said.

## Hong Kong Poll Pegs Governor As a Lame Duck

Reuters

HONG KONG — Nearly half of the people of Hong Kong believe that Governor Chris Patten no longer has a useful job in the days before the British colony reverts to Chinese rule in mid-1997, a local newspaper reported on Monday.

Despite seeing Mr. Patten as a lame duck, 68 percent of those interviewed said his performance as governor was satisfactory, compared with 26 percent who said it was not, the newspaper said. Mr. Patten has repeatedly insisted he expects to stay until the British flag is lowered for the last time over Hong Kong in 1997.

An opinion poll found that 47 percent of respondents saw little role for Mr. Patten, who has been involved in a protracted debate with China over electoral changes he secured for the colony, the South China Morning Post reported.

China, which said Mr. Patten's changes violated agreements London had with Beijing, has said that when it takes over, it will dismantle all three tiers of representative government in the territory elected under the reforms.



**BITTER HOMECOMING** — Zairian soldiers handing over 38 Rwandan Hutu to troops of Rwanda's Tutsi-led army. They were rounded up as part of a crackdown on Hutu militiamen, who control the refugee camps in Zaire. The United Nations has protested the forced repatriation of the Hutu, saying it was against international law.

## NORWAY: Exit Polls Show Anti-EU Votes Taking a 'Wafer-Thin' Lead

Continued from Page 1

by joining the bandwagon for open trade and access to markets. If it did not, it would be left behind and isolated in the company of Switzerland, Iceland and Lithuania.

"We would be the only industrial country in Europe not to join, except for Switzerland which has a long history of neutrality while we've been a NATO member for 45 years," said Inge Lønning, a theology professor who heads the European Movement, the main group promoting a "yes" vote.

"In 1972, when we rejected membership, we were at the starting point of our oil. Now we are at the last chapter. Production will go down. Gas will stay high but will we be able to sell it? How about the fisheries? If Sweden is in the European Union and Norway is out, then fish products sold to

Sweden would have a tax of 25 percent put on them."

The "yes" forces also promoted the idea that Norway's security would be enhanced inside the EU, which could lend its support should trouble arise in the northernmost province of Finnmark, which borders Russia. The concern is for nuclear pollution and possible civil unrest across the boundary.

The main support for joining came from intellectuals, businessmen and professionals, many of them in Oslo and Bergen, the second city. That fact alone was enough to raise a question mark in the minds of the independent-minded folk in rural areas, who bridle under what they view as excessive interference from the capital.

"Already our government is big enough," said Jan Roemming, an agriculture student who voted no. "Why make it a 'yes' vote."

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## Style



Versace's plasticized silver suit; DKNY Neoprene dress, and Saint Laurent's sparkling sweater and satin pants.

## The Shining: A Season of Glitter

By Suzy Menkes  
International Herald Tribune

**P**ARIS — Fashion has taken a shine to scintillating fabrics. The thread that links the disparate styles of the current season is gleam and glitter.

The Shining comes in two categories: traditional and futuristic. The first suggests the conventional glamour of liquid satin or sparkling Lurex.

For the holiday season, that means a simple dress or a knitted tube — or perhaps a combination of two different materials.

Hot items at all price levels are glitter knits and satin pants — either in shiny stretch satin, disco-style, or satin-striped tuxedo trousers.

For a refined version of the look, Yves Saint Laurent showed satin pants and a sparkling sweater. Ralph Lauren teamed

pastel cashmere knitwear with A-line satin skirts. Isaac Mizrahi's sweater set went with a big ball skirt, in the best tradition of American sportswear.

A tougher take on shine comes in the revival of patent leather for shoes, boots or even for blouson jackets, with Christian Lacroix creating a shiny, gilded-leather jacket in one glam-slant.

Futuristic shine depends rather on synthetic fabrics. Vinyl and plastic — last used in the space-age 1960s — give a harder and sexually predatory look to the basic silhouettes found in softer materials.

Helmut Lang's plastic slip dress face-patterned like a wipe-down tablecloth, and the Austrian designer's shiny T-shirts, set a trend for mean-street, urban style.

You find the same look at a luxury level from Gianni Versace, whose plastic-coated silks and leathers are the ultimate in winter glamour.

Versace also used metal mesh, a byproduct of the aircraft industry, and sprayed leather with metallic paint like a 1950s Cadillac.

Donna Karan also had techno-vision for her ball gown in Neoprene known for diving wet suits.

The shiny fabrics are a reversal of the 1990s enthusiasm for all things ecological, beige and natural. As a top-to-toe look it may be a short-lived trend. But in a holiday season filled with Victorian nostalgia, fashion is at least facing up to the new millennium.

## The Story of Jeans and How They Grew

International Herald Tribune  
**P**aris — If authenticity is the Holy Grail of style, then fashion is its poisoned chalice. What designers did to jeans in the 1980s — like a shocking pink tweed and blue denim Chanel jacket — proves how wise it is to let classics well alone.

The "Histoires du Jeans" exhibition at the Palais Galliera costume museum (until March 12) shows the indestructible power of the Real Thing. It opens with a chambray work shirt from 1915, which designers from Giorgio Armani to Calvin Klein would be proud to claim as

their own — and which could be in any stylish modern closet.

It ends with a torture chamber of designer takes on denim — a cotton fabric that did not even take its name from the French *serge de Nîmes* (woolen work wear), but is essentially American. The myth of the West on celluloid and in reality is shown in blown-up pictures. But the jeans themselves hang in a dimly lighted display looking as lost and lonely as a cowboy without his horse. It may be fascinating to compare rivets and studs now and then, or to see how early Levi's produced the classic blouson jacket (in 1936), but the pioneer garments in the show could do with some fresh prairie air.

Photographs show the evolution of the Western myth, as a wholesome American family with hatchback emerges in the 1950s, along with a

curvaceous Marilyn Monroe introducing sex-and-denim.

The concept of jeans as a symbol of sexual freedom and sartorial rebellion never quite comes across, even if the exhibits include David Bowie's denim jockstrap flashed with sequins. There is a striking image of anti-Vietnam War demonstrators in Washington in 1971, just as be-jeaned legs were later to breach the Berlin Wall. A lively section celebrates the hippie era when jeans were customized with embroidery, eyelets or a magnificent appliquéd of a tree of life, with roots at the ankles and branches sprawling over the hips.

From a stylish and witty pair of 1973 platform-soled denim boots, printed with the word "jeans," it is a small step to designer denim. That started with the American sportswear designer Claire McCordell in 1943, who made graceful

shirtdress in jeans fabric. In the 1980s section, there are some creative, ironic and subversive fashion statements — although nothing to match punk denim scrawled with angry slogans. Franco Moschino's denim priest's surplice (made for an ad campaign) has the power to shock: Vivienne Westwood's slash-and-pull jeans is a witty take on the familiar frayed/torn jeans.

Jean-Paul Gaultier brings the history of jeans full circle. The curvy frock coat he made in denim in 1994 harks back to one of the earliest items in the exhibition: a frock coat dating from 1830, when denim was just utilitarian work wear without the subsequent emotional and cultural baggage.

S. M.

**The West grew up in Levi's**

Levi's ad for jeans in 1950s; customized, tree-of-life embroidered 1973 jeans, bottom left, and eyelet-studded hippie jeans.

Van Cleef & Arpels PARIS 22, place Vendôme Tél: 42 61 58 58 GENEVE 31, Rue du Rhône. Tél: 311 60 70

*Les Roses de Noël*

Motifs d'oreilles, or, corail et brillants.

Van Cleef & Arpels

"Il est des signatures auxquelles on tient."

Broche or, corail, et brillants.

Van Cleef & Arpels

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**Herald Tribune**



# BUSINESS

International Herald Tribune, Tuesday, November 29, 1994

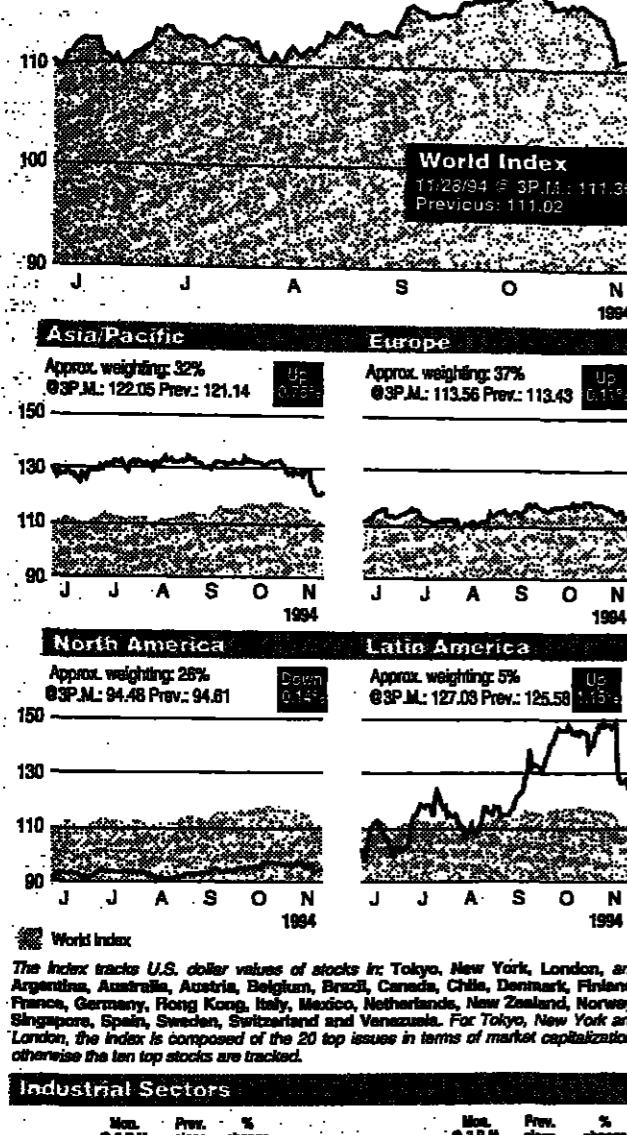
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## THE TRIB INDEX: 111.36

International Herald Tribune World Stock Index, composed of 280 internationally investable stocks from 25 countries, compiled by Bloomberg Business News. Jan. 1, 1992 = 100.

120



The index tracks U.S. dollar values of stocks in Tokyo, New York, London, and Amsterdam, Australia, Austria, Belgium, Brazil, Canada, Chile, Denmark, Finland, France, Germany, Hong Kong, Italy, Mexico, Netherlands, New Zealand, Norway, Singapore, Spain, Sweden, Switzerland and Venezuela. For Tokyo, New York and London, the index is composed of the 20 top issues in terms of market capitalization, otherwise the ten top stocks are tracked.

For more information about the index, a booklet is available free of charge.

Write to Trib Index, 187 Avenue Charles de Gaulle, 92521 Neuilly Cedex, France.

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## JAL Cites Currency Deals in Big Loss

Compiled by Our Staff From Dispatches

TOKYO — Japan Air Lines Co. said Monday it lost 1.76 billion yen (\$1.8 billion) in foreign exchange deals over the past 10 years.

A spokesman for the airline said the losses had resulted when attempts to hedge risks from exchange-rate fluctuations backfired, and were not due to currency speculation.

Japan Air Lines stock plunged 4 percent Monday on the Tokyo Stock Exchange, closing at 681 yen, down 29.

Citing company documents, the Asahi newspaper said the currency losses stemmed from forward contracts valued at \$3.6 billion that the airline had bought between August 1985 and March 1986.

Companies entering into forward contracts agree to buy or sell currency at a fixed price over a set period of time. Companies often use forward contracts to protect their finances against swings in exchange rates.

The airline's contracts obliged the company to buy dollars at an average rate of 184 yen for an 11-year period ending March 31, 1997. The dollar finished trading in Tokyo on Monday at 98.30 yen.

Kosei Yamada, a spokesman for Japan Air Lines, confirmed the value and length of the contracts.

But he added that the figures that appeared as currency losses in the Asahi report had been included in the company's earnings report under capital investments.

"The money was intended for airplane purchases," Mr. Yamada said. "So we included it as a purchasing cost."

(AP, Bloomberg)

## Spain's Unsung Olive Oil Growers Look to U.S. to Boost Exports

By John Tagliabue

New York Times Service

JAEN, Spain — This provincial Spanish town, sited at the base of a mountainous medieval castle, likes to think of itself as the Riviera of olive oil.

Fields of olive trees — "as a sea of olive trees" — there are 52 million of them, spread over 1.2 million acres (485,000 hectares) — yield fully 22 percent of the world's olive oil. So Jaén's olive growers cannot understand why they are being pushed around by the likes of France, Italy and Greece.

Though their oil is pure and unblended,

and buyers laud its body and flavor, Italian olive oil companies purchase more than one-third the harvest at bulk prices, sometimes as low as \$2 a pint, blend it with thinner Italian oils and, packaging it imaginatively, sell it as their own at a nice profit.

So Jaén has been sending emissaries abroad, notably to the United States, where in April they visited gourmet shops, food distributors and brokers in New York, Philadelphia and Washington.

The goal is to cash in on the growing taste for olive oil in the United States. A pint of Núñez de Prado, an extra virgin oil from nearby Córdoba, can fetch \$38 in American gourmet shops.

"We've been too laid-back, we waited for customers to come to us," said José Carlos Rey, an olive grower. "Now, people are talking about olive oil, so we have to go out looking for markets."

Like many other farmers trying to prosper in an increasingly competitive food business, Antonio Machado once described as "a sea of olive trees" — there are 52 million of them, spread over 1.2 million acres (485,000 hectares) — yield fully 22 percent of the world's olive oil. So Jaén's olive growers cannot understand why they are being pushed around by the likes of France, Italy and Greece.

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## MARKET DIARY

## Stocks Undermined By Rate Concerns

Compiled by Our Staff From Dispatches

**NEW YORK** — The stock market turned in a mixed performance Monday as reports of strong holiday retail sales were offset by lingering fears that more money would desert stocks for bonds.

The Dow Jones industrial average was up 14.13 points at

But stocks found some support from reports of strong weekend sales from many retailers over the weekend, which marked the traditional start of the Christmas shopping season.

Specialty retailing stocks were particularly strong, with Home Depot, Toys 'R' Us and Gap rising.

RJR Nabisco also was among the gainers after the company said it was developing a smokeless cigarette.

Pfizer rose after it said it would form an alliance with Tokyo-based Eisai to develop treatments for Alzheimer's disease and other cognitive disorders.

Kemper rose a day after announcing it would consider selling segments of its insurance, mutual fund and brokerage divisions if it did not find a buyer for the entire company.

Walt Disney rose after the company's film "The Santa Clause" was the top money-maker at U.S. theaters over the weekend.

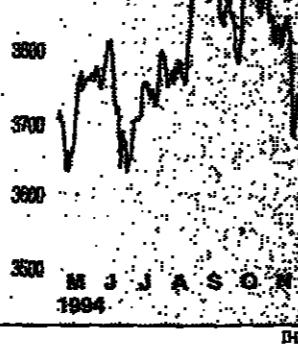
As long as interest rates are rising, "these rallies were made to be sold," said Todd Clark, director of equity trading at Mabion Securities Corp. "There has been a lot of damage to the market last week, and people are still nervous."

(Bloomberg, AP)

## The Dow

Daily closing of the Dow Jones Industrial Average

4000

M J J A S O N  
1994

BHT

U.S. Stocks / 3 P.M. Snapshot

3,722.40 in late trading, but on the New York Stock Exchange, declining issues outnumbered advancing ones by a 9-to-8 ratio.

The price of the benchmark 30-year Treasury bond was down 18/32 point at 94 17/32, taking the yield up to 7.98 percent from 7.93 percent Friday.

Bond yields approaching 8 percent are making stock investors nervous that investors could decide to buy into a safer return in the bond market at the expense of stocks, as happened last week, sending the stock market tumbling.

As long as interest rates are rising, "these rallies were made to be sold," said Todd Clark, director of equity trading at Mabion Securities Corp. "There has been a lot of damage to the market last week, and people are still nervous."

It planned to take a fourth-quarter charge of \$130 million to reduce the exposure of securities portfolios held by clients at its Boston Co. division to rising interest rates.

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Mellon Bank fell after it said it planned to take a fourth-quarter charge of \$130 million to reduce the exposure of securities portfolios held by clients at its Boston Co. division to rising interest rates.

Kemper rose a day after announcing it would consider selling segments of its insurance, mutual fund and brokerage divisions if it did not find a buyer for the entire company.

Walt Disney rose after the company's film "The Santa Clause" was the top money-maker at U.S. theaters over the weekend.

(Bloomberg, AP)

## NYSE Most Actives

Vol. High Low 3m Cap.

RJR Nabisco 33678 614 616 616 162

Walt Disney 26252 284 286 286 162

Vivco 251 251 251 251 162

Caterpillar 2454 453 453 453 162

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# Bayer Says Cuts In Employment Helped Net Rise

Compiled by Our Staff From Dispatches

LEVERKUSEN, Germany — Bayer AG's third-quarter pretax profit soared 61 percent as job cuts and increased investment pushed up productivity, the company said Monday.

The German chemicals giant said profit rose to 630 million Deutsche marks (\$420 million), from 392 million DM a year earlier.

Sales rose 5.8 percent, to 10.59 billion DM, with the strongest showing coming from Latin America and Asia.

Manfred Schneider, the chairman, predicted pretax profit for the full year would

rise about 36 percent from last year, to 3.2 billion DM. He also announced that Bayer would probably raise its full-year dividend for 1994 from 11 DM a share paid in 1993.

Mr. Schneider also said the company would probably make a major acquisition in the United States in the first quarter of 1995. He refused to give details.

Bayer shares rose 4.30 DM to 344.50.

The company attributed the profit gain to measures taken to increase efficiency, as well as higher volume sales and rising capacity use.

Since the beginning of 1994, Bayer has slashed employment by 3,400, to around 147,000. It also has invested 2.2 billion DM in factories and equipment and plans to invest a total of 3 billion DM by the end of the year.

"Prices are still unsatisfactory, but we nevertheless expect the current satisfactory improvement in profits to continue," it said. (AP, Bloomberg, AFP)

## Rhône on Road to Growth

The chairman of Rhône-Poulenc SA, Jean-René Fourtou, said he expected significant growth in operating profit for 1994, AFP-Exel News reported from Paris.

Mr. Fourtou also said that third-quarter results showed the company was recovering and that no exceptional item would affect the results.

He said the company would hold off on acquisitions until 1996. "I would first prefer to complete the restructuring of the group, see earnings increase and enter the market under good conditions," he said.

In August, Rhône-Poulenc reported a 69 percent fall in first-half profit.

## EU Rail Plans Face Cash Crunch

Compiled by Our Staff From Dispatches

BRUSSELS — The European Union's ambitious plans to build high-speed rail networks linking cities across the 12-nation bloc face a cash shortfall, EU officials said Monday.

Spending on the 14 transportation projects has been estimated to total 91 billion European Currency Units (\$11 billion), according to an EU report.

The European Commission said full financing had been secured for only three of the 14 projects, with most of the money coming from the private sector.

Loans would be provided by the European Investment Bank, and the commission has set aside 450 million Ecu a year in grants.

But Henning Christopherson, the economic affairs commissioner, urged EU leaders meeting in Essen, Germany, on Dec. 9 and 10 to endorse the projects. (Bloomberg, Reuters)

# Rebirth of Potsdamer Platz

## Project Aims to Make Berlin One Again

By Ferdinand Protzman

New York Times Service

BERLIN — Potsdamer Platz was the busiest public square in Europe and the heart of Berlin before World War II left it in ruins. During the Cold War, it became a grassy "no man's land" bisected by the Berlin Wall.

Now the cornerstone has been laid on the biggest private-sector construction project in German history.

More than any other construction project scattered across Berlin, more even than the German government's plans to move the capital here from Bonn by the end of the decade, the Potsdamer Platz project is a symbol of Berlin's renewal and its struggle to establish an identity as the capital of a united Germany.

If the reconstruction of Potsdamer Platz's seven hectares (17 acres) succeeds, it will create a lively urban center joining the city's disparate Eastern and Western halves.

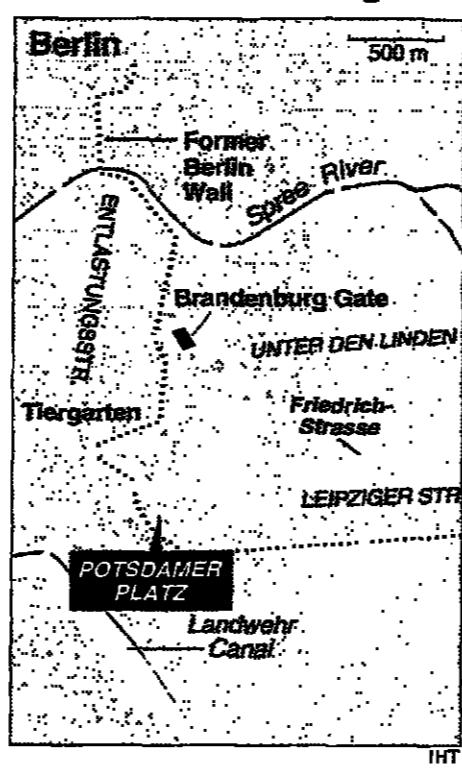
The biggest chunk of the site is being developed by Daimler-Benz AG, Germany's biggest industrial group, best-known for building Mercedes-Benz cars and trucks. The project is being handled by the company's real-estate subsidiary.

Other building projects are planned at the site by Sony Corp., the Swiss-Swedish industrial consortium ABB Asea Brown Boveri Ltd. and the German retailing group Hertie-Karstadt AG. Sony hopes to begin work on its office complex in 1995, and Hertie/Karstadt in 1997.

Hans-Jürgen Ahlbrecht, head of the real-estate subsidiary, said the company was well aware of the historical significance of its project.

"We flew all over the world looking at city development projects, studying city planning and architecture," Mr. Ahlbrecht said. "It quickly became clear there is nothing comparable to this project anywhere. Our site is in the middle of a city of 3.7 million people, not on the edge of town like most developments of this size."

When completed in 1998, the project will have 19 buildings, including three high-rise structures and about 100,000 square meters (1.08 million square feet) of space. About half will be used for offices and 20 percent for apartments. The rest will be a mix of stores, restaurants, a conference center, musical and variety theaters, a cinema complex and a casino. One of the highlights will be a 200-meter-long, three-story shopping passage with a retractable roof.



There will also be a five-star hotel managed by Hyatt International, with 450 rooms and suites. Two parking structures will provide 2,500 parking places. Daimler officials estimate that 100,000 people will visit the complex every day to shop. Perhaps 7,500 will live and work there.

"What we are doing is creating a new urban center filled with life and ambience, a place where people will want to live, work, shop or just come visit," Mr. Ahlbrecht said. "Even before we began, I decided I would live here when it is completed. So did many of my colleagues. That is a powerful incentive to make it a special place."

The architect Renzo Piano of Genoa, Italy, was chosen after an international competition in 1992 to direct the design. The primary materials used for the buildings' facades will be brick, terra cotta and sandstone.

Who the future tenants will be is an open question. Horst C. Schlüter, the director of M.M. Warburg-Schlüter & Co., an adviser to Daimler, said he did not believe the German government would rent in the complex.

# Volkswagen Shares Fall On Outlook

Reuters

HANNOVER, Germany — Volkswagen AG expects pretax profit of around 2 billion Deutsche marks (\$1.3 billion) in 1996, accelerating to 3.7 billion DM by 1999, its new five-year plan says.

Excerpts from the internal document said the German company expected its return on sales to be only 0.7 percent this year. This would rise to 3.7 percent by 1999 but still be below the 4.7 percent achieved in 1989.

Volkswagen's share price plunged on the outlook. The stock finished in Frankfurt at 44.20 DM, down 10.60. Investor confidence was further shaken when Deutsche Bank AG lowered its profit forecast for Europe's largest automaker.

The five-year plan was presented to VW's supervisory board Friday, and the stock began to fall when a portion of the document was leaked that included a profit forecast for 1995 of only 890 million DM — less than half of that expected by analysts.

Volkswagen refused to comment on the report. "We do not comment on internal plans," said Hans-Peter Blechinger, a Volkswagen spokesman.

Analysts said the report showed it would take longer than they had expected for the company to return to strong profit.

Analysts said VW shares would remain under pressure.

"The figures are dismal and confirm Friday's poor forecasts," Philip Ayton of Barclays de Zoet Wedd in London said.

VW's plans to set aside an average of 5 percent of sales for provisions helped to explain the low profit forecasts. Analysts said they thought the company planned to use the money to make staff cuts.

## Investor's Europe

Frankfurt DAX	London FTSE 100 Index	Paris CAC 40
230	220	210
220	210	200
210	200	190
200	190	180
190	180	170
180	170	160
170	160	150
160	150	140
150	140	130
140	130	120
130	120	110
120	110	100
110	100	90
100	90	80
90	80	70
80	70	60
70	60	50
60	50	40
50	40	30
40	30	20
30	20	10
20	10	0

Sources: Reuters, AFP

International Herald Tribune



# Four Countries Agree on Use of Lower Mekong

Compiled by Our Staff From Dispatches

HANOI — Four Southeast Asian nations agreed Monday to cooperate in developing the lower Mekong River for better irrigation, power generation, flood control and tourism.

Representatives of Vietnam, Cambodia, Laos and Thailand pledged to allow freedom of navigation on the river they share, as well as to protect it from pollution and other environmental damage.

But the officials, who spoke at a news conference after signing the preliminary agreement, did not offer any specific measures for achieving these goals.

They said their countries planned to reach a formal pact within 90 days.

One representative, Prathet Siabut of Thailand, said the four nations would be unable to exploit the Mekong fully unless China and Burma also signed the agreement. China and Burma share the Mekong farther upstream, and Chinese dams could hinder the flow of water to the other nations, he said.

## The Battle for Rockefeller Center

### Mitsubishi Estate and Mortgage Holders Face Off

By Saul Hansell  
New York Times Service

NEW YORK — The battle has begun for Rockefeller Center, that temple of commerce, consumption and communications that has long symbolized New York.

Between now and February, Mitsubishi Estate Co., which bought control of the complex from the Rockefeller family in 1989, will square off against a growing group of investment bankers and some stock speculators, who could decide to play rough because they would not mind wresting Rockefeller Center away from Mitsubishi Estate.

What happens over the next four months will depend on how much Mitsubishi wants to keep the prestigious address and avoid losing face despite the millions of dollars in losses it has absorbed from Rockefeller Center in the last five years.

But the company's ability to keep the property, with the cut in the mortgage burden it has already requested, will depend on its acting ability. It must convince the management of Rockefeller Center Properties Inc., which holds the Rockefeller Center mortgage, that it is willing to walk away.

This month, Rockefeller Center Properties said in a government filing that Mitsubishi might default on its \$1.3 billion mortgage.

Rockefeller Center Properties' strategy depends on how confident it is of the actual value of the center. If it believes the value is well above the current total of \$800 million in debt that it owes its own bondholders, it may hang tough and take the Rockefeller jewel.

Carefully watching Mitsubishi's moves from now on are opportunistic investors interested in Rockefeller Center Properties, which is a real-estate investment trust that was formed with the sole purpose of making the mortgage on Rockefeller Center.

In 1985, the company raised the \$1.3 billion for the mortgage by selling stock and bonds. The deal was underwritten by Goldman, Sachs & Co. and Shearson Lehman Brothers Inc.

But the stock has since fallen from \$20 to as low as \$4 last week before closing at \$4.75 Friday. Now some of the hedge funds that had bet against the stock over the last decade are buying both the stock and the bonds, in part because they would have a chance to own Rockefeller Center if Mitsubishi defaults.

On Monday, the stock was unchanged at \$4.75 in afternoon New York Stock Exchange trading.

Similarly, a fund controlled by Goldman Sachs two weeks ago agreed to bail Rockefeller Center Properties out of a cash squeeze unrelated to Mitsubishi and its mortgage payments on the Center.

#### Mitsubishi has to appear willing to default to win any concessions from Rockefeller Center Properties.

The Goldman fund lent Rockefeller Center Properties \$225 million in return for options on 19.9 percent of the company's stock.

Sitting uncomfortably on the sidelines is the Rockefellers family, whose reputation and fortune would be affected by the outcome because the family still owns the 20 percent of Rockefeller Center it did not sell to Mitsubishi.

Right now, both sides are playing tough, although a compromise is always possible. Mitsubishi's banker, J.P. Morgan & Co., recently approached Rockefeller Center Properties and demanded that the mortgage burden be substantially eased, according to people who have spoken with participants in the talks.

The company not only rejected the proposal quickly, but also forced the center's owners, Mitsubishi and the Rockefeller family, to pay a \$35 million mortgage tax, which it had waived in the past.

The critical moment for Rockefeller Center is the mortgage payment due in

February, 1995. The importance of that date was established when the Rockefellers first set up the real-estate trust and took out the \$1.3 billion mortgage.

The family borrowed so much money that it was clear that the center would not generate enough cash to make the mortgage payments until 1994, when about half of the office leases would expire and it was assumed that they would be renewed at double the old rents.

In 1989, when Mitsubishi Estate bought what eventually became an 80 percent stake in Rockefeller Center, it assumed its share of the cost of subsidizing the Center's deficits. But rents have declined rather than increased.

And the large group of leases up for renewal this year have turned into a burden rather than a boon. As a result, analysts say that Mitsubishi will have to put up roughly \$250 million over the next five years to cover continuing losses.

In the face of this red ink, other real estate developers might simply hand the keys of the property back to the mortgage lender. That, in effect, is what Sears Roebuck & Co. did recently with its huge Chicago skyscraper.

But Mitsubishi Estate is Japan's largest property company, with an avowed long-term view on real estate. And Rockefeller Center is such a visible trophy that many observers expect them to keep absorbing the losses on the Center's rents rather than loss face.

Regardless of its intentions, Mitsubishi has to appear willing to default in order to win any concessions from the Rockefeller Center Properties. Some real estate experts suggest that Mitsubishi will only get the attention of the company if it actually goes into default.

People involved in the recent financing provided to Rockefeller Center Properties by the Goldman Sachs fund say that Goldman figured that Mitsubishi probably would pay the mortgage in full. But if it didn't, Rockefeller Center Properties' own \$800 million in debt would be easily covered by repossessing the property. Some hedge funds are buying the stock, using the same logic.

#### Investor's Asia

Hong Kong	Singapore	Tokyo
Hang Seng	Strait Times	Nikkei 225
1000	240	2200
1000	230	2100
900	220	1900
800	210	1800
JASON	JASON	JASON
1984	1984	1984
Exchange	Index	Monday
Hong Kong	Hang Seng	Price
Singapore	Strait Times	Change
Sydney	All Ordinaries	1,310.00
Tokyo	Nikkei 225	16,811.36
Kuala Lumpur	Composite	1,005.93
Bangkok	SET	1,242.12
Seoul	Composite Stock	1,069.48
Taipei	Weighted Price	6,384.20
Manila	PSE	2,078.39
Jakarta	Stock Index	488.84
New Zealand	NZSE-40	2,000.81
Bombay	National Index	1,957.20

Sources: Reuters, AFP

International Herald Tribune

## Strong Memory-Chip Sales Help NEC Back to Profit

Bloomberg Business News

TOKYO — NEC Corp. said Monday that surging sales of memory chips and communications equipment helped its earnings return to the black in the first half.

NEC posted group profit of 11.34 billion yen (\$115 million) in the six months ended Sept. 30, reversing a year-earlier loss of 9.33 billion yen.

Sales for the period rose 6 percent, to 1.74 trillion yen. Overseas sales rose nearly 20 percent, to 477 billion yen, while domestic sales were up nearly 2 percent, at 1.26 trillion yen.

For the full year to March 1995, NEC said it expected group net profit to reach 35 billion yen, up from the 6.61

billion yen it posted in the year to March 1994.

NEC's sales of communications equipment including portable telephones rose 10 percent on the year, to 472.95 billion yen. Sales of electronic devices including semiconductors rose 15 percent, to 363.36 billion yen.

#### Komatsu Earnings Up

Komatsu Ltd. said higher sales in the United States and Southeast Asia helped it nearly double its pretax profit in the six months to Sept. 30, AFP-Exel News reported.

Komatsu had pretax profit of 7.2 billion yen in the period, up from 3.8 billion yen a year earlier. Sales rose to 437.6 billion yen from 401.6 billion yen, with offshore revenue increasing and domestic sales falling.

Compiled by Our Staff From Dispatches

TOKYO — Japanese life insurers increased their investments in Japanese bonds in the six months ended in September, moving away from equities and foreign securities, company executives said Monday.

Combined claim payments by the insurers rose 22 percent,

insurance companies reported that their aggregate premium incomes rose 14 percent, to 12.08 trillion yen (\$123 billion), in the period ended Sept. 30, supported by a surge in demand for pension plan policies.

Combined claim payments by the insurers rose 22 percent,

to 6.97 trillion yen, exceeding the rate of rise in premium incomes.

Because they are unlisted, the insurance companies do not report earnings as most Japanese reinsurance companies have been doing this month. Nonetheless, the financial community pays close attention to any financial details the life insurers do divulge, as they are among Japan's biggest investors.

Nippon Life Insurance Co., Japan's largest life insurer, said it raised bond holdings by 964.9 billion yen, to 5.24 trillion yen, in the half while reducing equity holdings by 113 million yen, to 6.86 trillion yen.

Nippon Life said it also had

cut its holdings of foreign securities in the half to reduce the effects of the continuing rise in the yen's value.

The global downturn of bond prices hurt the insurers' incomes, while the yen's rise against the dollar cut into the value of their dollar-denominated assets.

Taken together, these developments explain why the average return on assets for the eight life insurers hovered around 3 percent to 4 percent. These companies typically promise policyholders an average 5 percent to 5.5 percent return on existing policies.

Even so, the eight companies' aggregate assets grew 7 percent,

to 134.77 trillion yen, from a year earlier.

Executives of the life insurers declined to discuss plans for payouts to policyholders in the year to March 1995.

In the year to March 1994, life insurers cut payouts for the fourth consecutive year as a result of the continued deterioration of investment returns.

The eight life insurers are Nippon Life Insurance Co., Sumitomo Life Insurance Co., Dai-Ichi Life Insurance Co., Yasuda Life Insurance Co., Meiji Life Insurance Co., Asahi Life Insurance Co., Mitsui Life Insurance Co. and Chiyoda Life Insurance Co.

(AFX, Bloomberg)

## China Signals Shift on Stocks

Reuters

SHANGHAI — China's top securities regulator, signaling a cautious new policy on stock markets, said

expansion of the exchanges was risky and should not be rushed, a Shanghai newspaper reported Monday.

"Establishing and developing socialist stock markets in China is very complicated," Liu Hongru, chairman of the China Securities Regulatory Commission, said in the Shanghai Securities News.

He said markets in Shanghai and Shenzhen lacked sound regulations.

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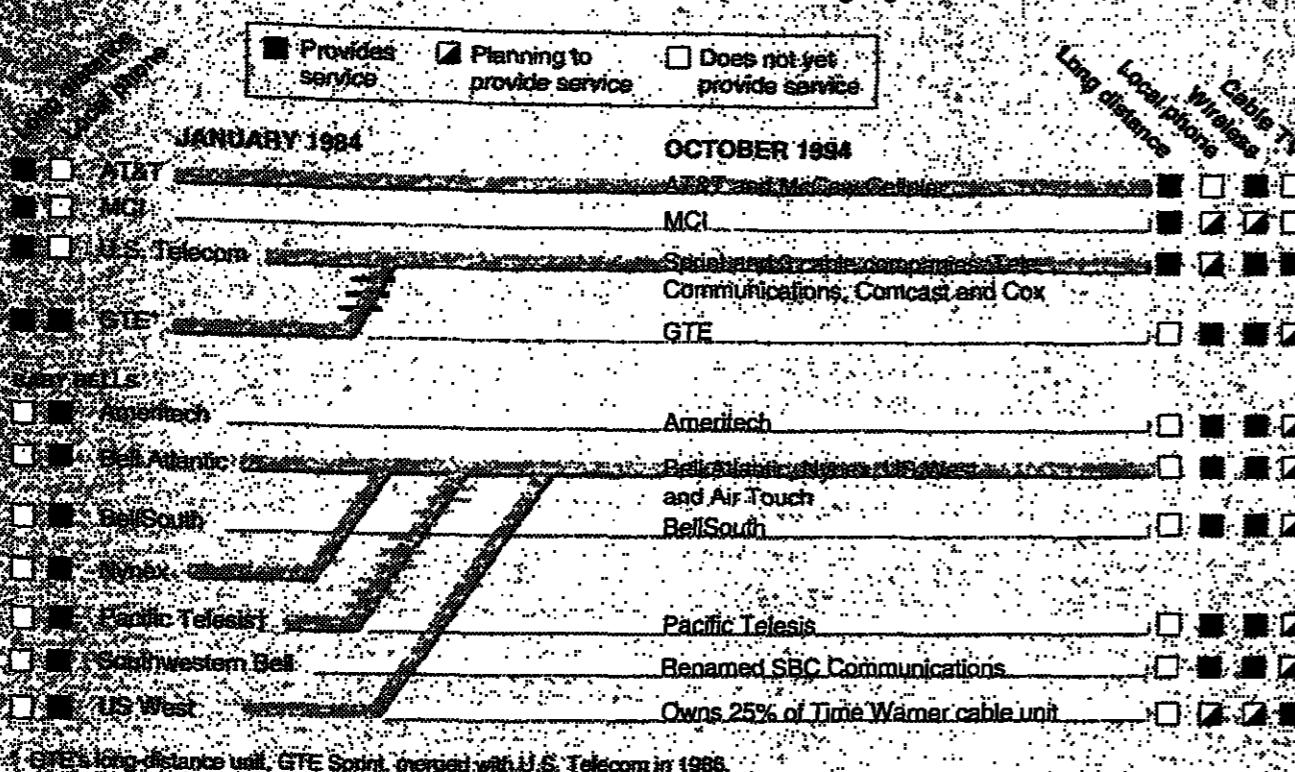




# Telecommunications

## The New Lineup in Telecommunications

When the U.S. government broke up AT&T's Bell System in 1984, telecommunications was still the purview of the nation's biggest telephone companies, with a clear division between long-distance and local telephone service. Since then, cellular telephones and other new technologies have blurred the regional boundaries of the seven Baby Bells and eroded the distinction between local and long-distance service. Now, as the FCC prepares to auction off regional wireless telecommunications licenses, new partnerships are redefining the telecommunications industry.



1 GTE long-distance unit, GTE Sprint, merged with U.S. Telecom in 1986.

2 Started this year. Pacific Telesis spun off its wireless unit, Air Touch.

## Privatization Catches On Worldwide

By Robert Bailey

**T**HE idea that the state should manage economic enterprises is a philosophy fast receding throughout both the developing world and among industrializing nations. As the selling of assets by governments has built up the focus of privatization more often than not has been on telecommunications. There are particular reasons for this. One obvious factor is that the process involves a sale of shares through private placement or public sale or a

combination of both. There are few other sectors that offer comparable opportunities for long-term profits. And there is rarely a shortage of potential investors for what is considered usually to be a blue-chip investment.

Governments are assured of a successful divestiture and a boost to revenues. The state is also relieved of the increasingly complex task of managing and planning investment strategies in a sector characterized by mounting competition and a pace of technological change greater than at any time since the telephone was invented.

Continued on Page 19

As a result there is a growing private-sector involvement in the provision of telecommunications services around the globe. Some 25 percent of Telecom Malaysia's shares have been traded on the Kuala Lumpur exchange since 1990. Singapore Telecom was partially privatized last year and now accounts for 20 percent of the local stock exchange's capitalization. Indonesia and Thailand are also considering privatization of their telecommunications operators while India is planning to sell a third share of its international tele-

## U.S. Firms Scramble for Partners

By Lawrence Malkin

**N**EW YORK — The railroad networks solidified the great industrial nations of the 19th century, and the telephone and telegraph networks knitted together their markets in the 20th century. Now a far more complex revolution integrating telecommunications, television, and computerization is shaping the world of the 21st century, when knowledge truly will be power — and profit.

The commercial prize will be the ability to market a single, seamless service delivering voice conversations, interactive video images, and high-speed computerized data. These huge electronic pipelines, which will be the commodity-carrying canals of the newest industrial revolution, are what is meant by the information superhighway, and because no one company can do all this yet, the latest industry wizcrack calls it the "information superhighway."

The most authoritative definition comes from Reed E. Hundt, who points out that it will have five lanes: the broadcast network that already reaches every home; an almost universal wire telephone network that provides active service to 94 percent of the population; a third lane of cellular telephones; a satellite system that also can beam into every home and office; and last but not least, a cable network that passes virtually every home in the country although only about half are hooked up so far.

"We are the only country in the world that can say we have all five lanes, and

they run past everybody. All companies can compete to deliver all the products," said Mr. Hundt, the chairman of the Federal Communications Commission.

This opportunity to form competitive delivery systems explains the elephant-like mating dance of telephone, cable television, and entertainment companies searching for appropriate partners that has shaken the corporate landscape and the stock market for the past year, also involving Europe's classic monopolies. Although some U.S. partnerships were quickly put together to bid for new wireless channels in a government auction next month, that is just the newest fork in a long road, and the mere existence of technology ensures it will eventually reach around the world.

The alliance that has come closest so far to creating its own superhighway is a joint venture involving three major U.S. cable television companies with Sprint Corp., the third largest U.S. telephone network, which targets business customers. Sprint's national fiber-optic network will be patched into the neighborhood coaxial cables of Tele-Communications Inc., Cox Enterprises, and Comcast to reach at least one-third of American homes through a single wire in the wall that hooks into the phone, TV, and computer.

Time Warner, the nation's largest cable TV, movie, and magazine company, has teamed up with the telephone technology of US West, one of the regional Bell companies, to invade other markets. Its New York City cable TV network already covers the richest phone market in the nation, and this month it announced the con-

struction of a 22-mile (35.6-kilometer) fiber-optic cable in midtown and downtown Manhattan to skim off high-profit business-to-business communications from the local phone company, Nynex Corp.

Time Warner is also trying to acquire cable television companies in other parts of this region, and if it succeeds as expected, its cable network will parallel Nynex's lines in New York State and New England, a territory half the size of France and richer per capita in telephone business.

A bill that would allow these and similar consortia to break the local telephone monopolies passed the last session of the House of Representatives but was beaten back in the Senate by heavy lobbying. With Republicans controlling Congress on a platform of deregulation, the outlook is brighter.

Only in Britain has competition approached America's, so it may be hard for those accustomed only to monopoly telephone service to imagine different highways offering scores and even hundreds of channels, and it may even harder to imagine what they might carry. Here are some examples:

• Ford Motor Co. says it is closer to producing a "world car" because its design centers in Europe, America, and Australia can quickly exchange, comment on, and modify computerized plans in ways that were inefficient less than a decade ago.

• BellSouth offered doctors channels to link them with specialists for distant diagnosis and discovered they wanted news on

Continued on Page 17

## Data 'Highway' May Be More Like a Web

By Peter H. Lewis

**T**HE recent announcements that Microsoft Corp. and MCI Communications Corp. are entering the global Internet services business are likely to accelerate the already rapid adoption of the Internet as a strategic medium for international business communications.

Many experts believe, however, that the real future of international communications on the Internet can be found in an even faster-growing technology called the World Wide Web.

The World Wide Web — also known as

WWW, W3 or simply the Web — is a multimedia, hypertext-based electronic publishing system within the Internet that makes it easy for even inexperienced computer users to navigate through thousands of international computer data bases. The data bases can consist of text, diagrams, color photographs, and even sound and video clips.

The Web was created in 1989 at the European Laboratory for Particle Physics, or CERN, in Geneva, as a way for scientists to publish and search for complex documents on the Internet. It is called a hypertext system because it allows users to jump quickly from one related source of

information to another at the click of a mouse button, regardless of whether the information resides on a computer in Paris, France, or Paris, Texas.

It was not until early this year, however, with the widespread adoption computer program called Mosaic, that the Web captured the imaginations of mainstream businesses as a way to publish detailed product information, electronic brochures and catalogues, to offer round-the-clock technical support, and to gather almost instant customer feedback. Mosaic hides the complexity of navigating the Internet

Continued on Page 16

# From Chips To Ships

Hyundai Business Group, with over US\$ 58 billion in sales, continues to grow in a wide spectrum of business areas. From next generation 256M DRAM chips to satellite communications, creating tomorrow's global information superhighway. From a full line of

passenger cars to all types of commercial vehicles. From machine tools to the magnetic levitation train, the ideal mass transit system of the future. From turnkey engineering and construction projects to petrochemicals with advanced new material.

From super tankers to some of the most sophisticated LNG carriers. Hyundai, with more than 30 R&D centers, working together, creating innovative synergies, innovative products.

**HYUNDAI**

Building A Better World Through Innovative Technology

## Information 'Highway' May Look More Like Web

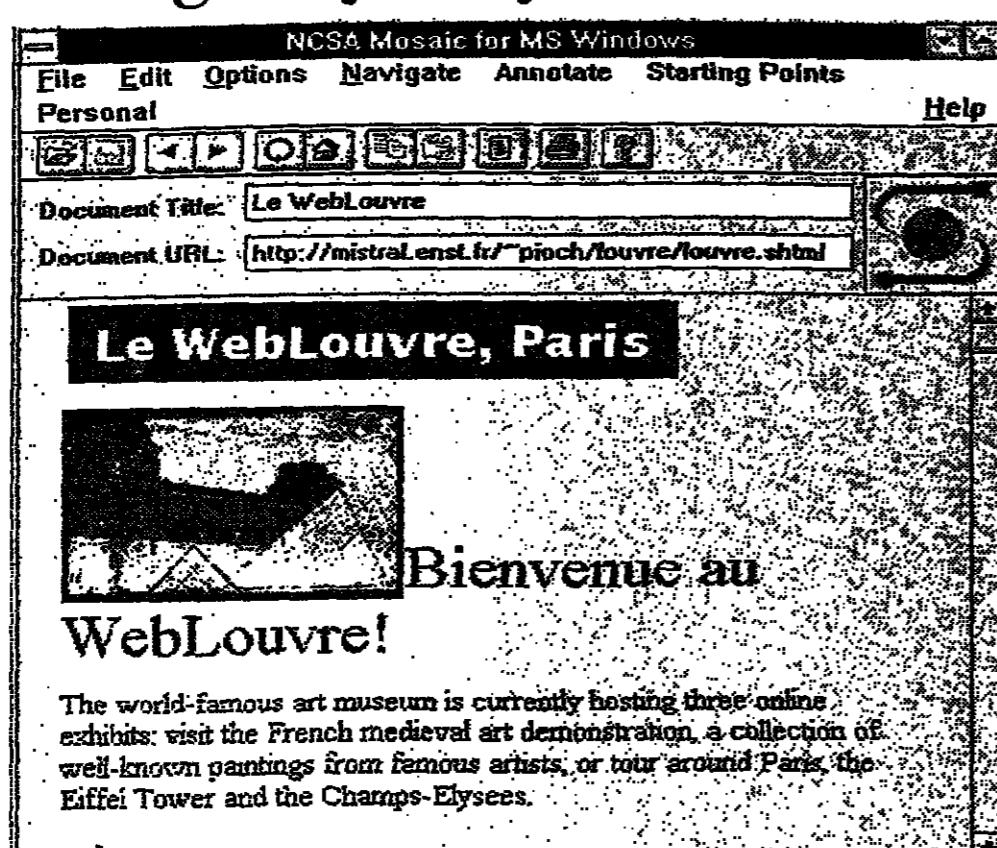
Continued from Page 15

behind a simple system of buttons and highlighted objects. "Using Mosaic for the first time tends to produce an epiphany," said Ric Shaffer, editor of the Technologic Partners Computer Letter, a newsletter published in New York. "It's astonishing to learn what's available on the Internet and how easily it can be accessed."

Before breakfast on a recent day, for example, a personal computer user Texas dialed a local telephone number and used the Web to visit London and listen to a speech on information technology by a member of Parliament.

With a few clicks on underlined phrases on the computer screen, the virtual traveler moved easily to a data base containing the schedules of exhibitions at several Parisian museums, then to announcements about business opportunities in the Netherlands, to a research consortium in Hawaii, to a travel service that helped plan a business trip to Germany, and to a map showing restaurants near Times Square in New York.

According to records kept by CERN, businesses are establishing Web "server" computers at a rate of more than 200 new sites a week. On one day recently, announcements of new Web sites came from Tokyo, Amsterdam, Helsinki, and Santiago, Chile, as well as dozens from the United States. Despite the flood of international businesses into the Web, analysts caution that it may be some time before the technology pays off, except, of course, for the growing number of Internet service providers who sell their Web services to businesses.



A display on the World Wide Web that enables users to visit selected exhibits at the Louvre Museum and to tour sites in central Paris including the Eiffel Tower.

"You're not going to make a lot of money in the next six months on the Web or on the Internet," said Mary E. S. Morris, an Internet consultant in Mountain View, California. "Still, it's a place you can't afford not to be right now. It's not so much that you're going to make money in the year term; rather, you'll lose money in the long term by not being there."

Mrs. Morris cited several fac-

tors that will retard, at least temporarily, use of the Web for commercial transactions.

First, to take full advantage of the graphical nature of the Web, one must have either a direct Internet connection or a special kind of dial-up account known as SLIP or PPP. While as many as 20 million or 30 million computer users worldwide have access to the Internet, only 1 in 10 have access to the Web, analysts say. Howev-

er, all of the major on-line information services in the United States, including CompuServe, Prodigy and America Online, plus MicroSoft, International Business Machines Corp. and Apple Computer Inc., are planning to offer Web access to customers next year, which would add millions of new users.

Second, the Internet is plagued by security breaches, and businesses are of linking

their computer systems to a global network where hackers abound.

Consumers, meanwhile, are wary of sending credit card or other financial information over the Internet, and there are no standards yet for digital security, electronic cash or data encryption.

U.S. government policies restrict the export of data encryption technologies, which could hinder the adoption of common standards for international electronic commerce.

Despite such obstacles, the Web is attracting throngs of new developers.

The first international World Wide Web conference was held in Geneva last spring and drew more than 400 researchers, developers and entrepreneurs, double the expectations of the conference organizers.

The second international conference, held in Chicago in October, swelled 1,300 registered participants, and hundreds more were turned away at the door.

"Some of these people flew in from Europe and Japan even after we told them the conference was sold out, just hoping to talk their way in," said Donna Esterling of the Open Software Foundation in Cambridge, Massachusetts, a conference coordinator.

The next Web conference is to be held April 10-14, 1995, in Darmstadt, Germany. More information about the 1995 conference is available via Internet electronic mail at [www95-office@idg.de](http://www95-office@idg.de) or via the Web at <http://www95.idg.fhg.de/www95.html>.

PETER H. LEWIS covers cyberspace for The New York Times.

## Navigating the Internet: Directions Are Required

By Brad Spurgeon

As easy as it is to crawl the Internet Web once you're on-line, it can be a chore to find out how to connect in the first place.

While there are many well-known U.S. companies like CompuServe, Prodigy and America Online Inc. offering on-line services to the public, what hard-core Internet junkies refer to as the net are functions with names like Gopher, Telnet, FTP, WWW, and CU-SeeMe (See-you-see-me). Most of these weird-sounding services are available not through the better known on-line companies, but through an array of small companies sprouting up around the world at a dizzying rate.

As a result, just about any book or monthly magazine listing Internet service providers is out of date the day it is published. The best way to find a dial-up connection, ironically, is through the Internet itself.

Catch-22? Maybe not. As Adam Gaffin advises in his beginner's guide, "EF's Guide to the Internet," the prime Internet directive is: "Ask People know."

If you're living in, say, Oslo, and you want to know how to subscribe to a local Internet services company, find a friend anywhere in the world who has access to the net. If you know someone in Johannesburg, ask them to search in Norway by clicking their mouse on the country on the Web's map of the world, then by clicking on

### For Information on the Internet

Providers: An International Resource Directory, published by Meckler Corp., Westport, Connecticut, in 1994.

One of the best books for connecting to the Internet outside the United States is "Internet: Getting Started," edited by April Marine. First published by SRI International, Menlo Park, California, in 1992, the book was updated in 1994.

Several international organizations also provide information about the Internet: The Electronic Frontier Foundation

R. Notess's "Internet Access

you want to be held by the hand by your software provider, or if you can get a little more involved. Some service providers have all the software on their end of the connection with fairly easy menu and instructions. With other companies the software is on your computer.

The disadvantage to the first method is that you have no direct connection to the Internet. It's as though you're working on a computer on the other side of town by remote control.

The second method is faster, but you've got to know how to download and install software.

Finally, make sure you know what kind of technical support you're going to get or need.

Which brings us to the bottom line. There are so many

service providers now that you can afford to shop around for the cheapest connection. You may be fortunate enough to live in an area where there is a FreeNet. The state of Illinois offers free services to its residents in Prairie-Freenet. Canada's capital, Ottawa, also has a FreeNet.

Some companies, such as

Britain's Demon Internet Ltd.

charge a monthly subscription fee (theirs is £10, or about \$15)

and on-line time is free. But most give only a limited amount of free time each month — maybe an hour a day — and you pay for the rest.

If you're not living close to a dial-up service, but need to make a long distance call, ask if the provider offers access through PDN or PSDN lines (Packet Switched Data Network).

This is a phone line that you call into locally, and that connects with the foreign service provider. But there is usually a stiffer charge added to the provider's contract for charges to the PSDN line.

Ireland's EuroKom offers Europe-wide access by this method.

These are only a small number of the routes to getting lists of service providers. The best way is to get some on-line yourself, and do a little Internet surfing to find the right company for you. You might have to go to Johannesburg to do it, but it could be worth the trip.

BRAD SPURGEON is on the staff of the International Herald Tribune.

## Alternatives to Traditional Phone-Service Suppliers Are on the Rise

By Laura Colby

I started out as a cheaper way to call the United States from abroad. But now the rapidly expanding industry of alternative phone-service suppliers has diversified so much that it offers everything from low-cost Internet access to large-scale

data transmission to a cloak-and-dagger-style service that offers a form of telecommunications laundering for those who want to keep their calls secret.

Alternate suppliers to the existing national telephone monopolies in most countries were born of the telephone deregulation in the United States and Britain that began with the

breakup of America's Bell monopoly in 1984.

That created a market for rival carriers such as MCI and Sprint.

Next on the scene were the callback services, whereby a caller dials a computer in the United States, hangs up, and then is called back with an American dial tone, enabling him or her to take advantage of the lower American phone rates to Europe, Asia and other areas of the world. Such companies typically offer savings of about 20 to 50 percent on calls.

The companies typically buy excess phone line capacity from AT&T or another supplier wholesale, then resell it to businesses and other users.

In the early 1990s, the companies began offering that service on trans-Atlantic calls.

Some of the services now offer intra-European phone calls as well, although industry executives say there is some question about the legality of such services before 1998 when Europe will completely deregulate telecommunications services.

According to Conrad Vilcek,

program manager for advanced networks and services

at BIS Strategic Decisions in

Paris, three of the seven callback companies operating in France are now competing with France Telecom for intra-European calls.

"The drawback of a callback service," Mr. Vilcek says, "is that you are limited to your own phone."

Some alternative service providers are offering ways of calling from anywhere. In addition to the MCIs and AT&T's, which offer phone calling cards, there are services like the London-based Advanced Business Services Ltd.,

which uses toll-free lines throughout Europe.

ABS is not a callback service, and "we aren't out to compete with the MCIs," says Lida Katz, a director of the company. In fact, ABS's rates are not always cheaper than those of the local monopoly, but they do enable clients to circumvent the often-onerous mark-ups at hotels and to call from virtually anywhere without having to pay cash.

With telecommunications deregulation coming to the European Union in 1998, some analysts see the future there as dim for the callback companies, which will have to compete with falling tariffs throughout Europe as the PTT monopolies for the first time compete with each other in their own back yards.

"There is more of a future for callback outside of Europe than inside it," concedes Howard Jonas, president of International Discount Telecommunications Corp., a callback service based in New York. He points out that while European rates are likely to fall with deregulation, many nations in the developing world still have high rates and highly restricted services.

In many countries, authorities know the Internet numbers and can monitor who uses them or restrict access to them, he explained. "We can have you call one of our callback service numbers, and then the Internet calls you back."

The callback technology also allows users to route phone calls into and out of several countries, so that the local authorities won't know the call's final destination. "It's like phone-call laundering," Mr. Jonas said.

## On-Line Teaching Grows

### Many Degree Courses Are Now Offered

By Wendy M. Grossman

the difficulties of working in a remote, sparsely populated area.

London — When David Pierce transferred from Paducah, Kentucky, to Manchester, England, two-thirds of the way through his MBA, his degree program continued uninterrupted at Indiana's Purdue University. The reason: the use of computer communications, which allowed him to send and receive assignments and correspondence with professors via a modem and a direct-dialed link to the university.

The first international World Wide Web conference was held in Geneva last spring and drew more than 400 re-

searchers, developers and entrepre-

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nizers.

Some of the names are unfa-

miliar, beginning with the newly

formed Global Network

Academy and Virtual Online

University, neither of which

has a campus outside of cyber-

space, and including Thomas

Edison State College, which has

an administration building in

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## In Asia, 'Convergence Fever'

By Jon Lidén

**H**ONG KONG — While most Asians are still waiting for an ordinary telephone line, the telecommunications companies are keen to install much higher capacity than projected.

By converging the technology and business interests involved in development of the information superhighway, telephone services and cable television, customers may in the future be able to watch a myriad of television channels, to shop, gamble, surf the Internet, make phone calls, and send faxes and E-mail, all through one socket in the wall.

Over the last 18 months, "convergence" has become the fashionable word of the media and telecommunications industry, with several major mergers and strategic alliances taking place between cable, media and telecommunication companies in the United States.

Closely following the development across the Pacific, Asian regional telecommunication companies are diversifying into cable television and other multimedia activities to enhance the value of their investment.

"One of the great advantages for Asia is that they will be able to leapfrog a lot of the technology that can't be used for converging these kind of services, technology the United States for example will be trying to write down over the next several decades," said Kenneth J. Warnock, executive director, marketing and finance, in Hong Kong for NYNEX Networks System Co. "Most telecom administrations understand that. In Bangkok, for example, the entire system is being installed with fiber-optic cable."

TelecomAsia Corp., a joint venture between the Thai Charoen Pokphand Group and NYNEX, is nearing completion of a two million line installation project in Thailand's capital. TelecomAsia has recently acquired a cable television license through its subsidiary, Thai Cablevision.

China's main cities, which are building up their telecommunications networks almost from scratch, are also expected

to put in large-capacity "broad-band" systems that can handle the volume of signals needed to transmit cable television and interactive data services. In China, as in other Asian developing countries, the telecommunications companies are keen to install much higher capacity than projected.

**What developing countries in Asia need is simply more telephone lines.**

telephone line growth, and then to search for novel ways to make use of it.

Yet, in a region where what is new often is equalled with what is good, some analysts warn about "convergence fever," predicting that the hype will have to be replaced by realism.

"Convergence is not going to be meaningful in Asia for a long time," cautioned Andrew Harrington, a senior research analyst at Salomon Brothers in Hong Kong. "It will come. It will start small and then it will eventually get bigger, but it is nothing to get so excited about."

What developing countries in Asia need is simply more telephone lines, and in the foreseeable future the vast majority of capital will be invested in telephone services."

Although business services will pose some of the demand, the multimedia revolution will rely on the home entertainment market to succeed. The most common alliances being forged or planned are between telecommunications companies and cable television operators. Although services like home shopping, home banking and interactive games may be added, cable television is expected to be the backbone of the industry for as long as anybody wants to predict.

In market terms, cable television means urban middle class, which in countries like Thailand and Indonesia makes up less than 20 percent of the population, and in China a fraction of that. A small cable television company in

Chengdu, the capital of China's Sichuan Province, charges the equivalent of 50 U.S. cents for a monthly subscription. "That is hardly a market you would be willing to spend a lot of money to get into," commented a representative for one cable television operator.

Most analysts conclude that the major development outside Japan over the next decade will take place in Hong Kong and Singapore, with small experiments in other countries. In Hong Kong, Hongkong Telecom is trying out a video-on-demand facility, which will enable subscribers to select and watch videos on their television sets through their telephone lines, as a guard against competition when it loses its telephone monopoly in mid-1995. Wharf Limited, which has been offering cable television to Hong Kong for a year, has been selected as one of the three competitors to Hongkong Telecom.

Potential broad-band services operators, such as Singapore Telecom and the Benpress Group in the Philippines, will have to expand outside their home countries to search for larger markets. "There is probably not room for more than two or three players in each market, so you will see hard competition," said Nikhil Srinivasan, vice president, media and telecommunications at Baring Brothers in Hong Kong.

Mr. Srinivasan stresses that when the fiber-optic lines finally are in the ground, the big question is what to send through them.

"The programming industry is underdeveloped in Asia," he said. "It is no use having 30-40 channels when there is nothing to show. For telecommunications companies and cable companies to diversify into program production is difficult and risky."

Corporations such as the Benpress Group, which already owns the broadcasting units ABS-CBN and Sky-Vision and runs a major telecommunications business, are expected to have a clear advantage over pure telecommunications companies, such as TelecomAsia. Pure program producers are also expected to profit from the development of broad-band services in Asia.



Asian countries are embracing new technologies.

## Japan Pushes Cable in Bid to Catch Up

By David Lazarus

**T**OKYO — Japan may be a world leader in electronic wizardry, but the country remains stuck in the slow lane on the information superhighway.

One reason is because of the big head start enjoyed by satellite broadcasting, which has put the brakes on growth of a fiber-optic cable network necessary for interactive services.

Another is that for all the advantages of multimedia capabilities like home shopping and movies on demand, no one has yet successfully articulated these benefits to Japanese consumers.

The average Japanese person considers multimedia to be something that is given to them by a big company, not something you use yourself," said Masao Kitazawa, who works in the multimedia business department of Itochu Corp., a trading house.

Nevertheless, the Japanese government has made catching up on the infobahn a national priority.

Japan's multimedia market

is expected to be worth more than 123 trillion yen (\$1.2 trillion) by 2015 and to create some 2.4 million new jobs.

This is one reason the Clinton administration made Japan's procurement of telecommunications equipment a main focus of recent bilateral trade talks.

For the average consumer, though, all this talk of trade and technology does little to spark enthusiasm for services that are rapidly becoming familiar to American TV viewers. More than 60 percent of U.S. households are now wired for cable, compared with less than 5 percent of Japanese residences.

In a bid to catch up, Nippon Telegraph & Telephone is spending 50 trillion yen to build a nationwide fiber-optic cable network.

The effort, however, has been mired in bureaucratic red tape and bickering among officials over the actual demand for sophisticated video services.

"Japan's cable TV industry will grow very slowly," said Hiroshi Inoue, deputy general manager of the cable TV division.

There are now about 56,000

regional cable operators in Japan, mostly serving small rural areas that have no other way of receiving clear pictures. These companies use older cables that would not allow for the rapid interchange of information foreseen by multimedia planners.

Electronics heavyweights such as Fujitsu Ltd., Hitachi Ltd., NEC Corp. and Toshiba Corp. are now developing hardware for making movies and other programs available whenever desired by viewers.

The video game maker Sega Enterprises Ltd., meanwhile, is planning a games-on-demand cable service similar to the Sega Channel set to debut soon in the United States.

"They're taking a long-term view," says Naoko Ito, a Goldman Sachs analyst who follows Japan's video-game industry.

"When cable services are available to more homes — by the year 2000 or whatever — Sega wants to be the leader in the market."

**DAVID LAZARUS** is a freelance journalist based in Tokyo.

## In the U.S., Companies Scramble for Partners

Continued from Page 15

the latest developments affecting them in science, government and finance.

• Already making huge profits in the United States, are television networks exclusively devoted to shopping at home, which eventually will be upgraded to permit orders over an interactive channel. Airtime reservation networks can be combined with travel agents' catalogues to sell tour packages through the home television screen.

• Advertisers will be able to focus their messages to individual users via specialized news, sports, entertainment and specialty channels, which helps explain why three regional telephone companies made a deal in October with the Hollywood agent Michael Ovitz's Creative Artists Agency to supply films which the industry calls "software" for transmission over their wires.

And consider the possibility of interactive video drawing away part of the nation's \$31 billion gambling business — that's how much bettors lost last year — from race tracks, sports events, lotteries, and even church bingo.

One specialist believes that the biggest losers will be the traditional U.S. telephone companies, which are still paying off the cost of installing the traditional copper wire networks that lack the capacity to turn into superhighways.

Philip J. Serlin, a telecommunications analyst at Wertheim Schroeder & Co., reckons that local phone companies still owe an average of about \$700 per subscriber of obsolescent copper wire networks that originally cost them \$1,200 a subscriber. The cable companies, although heavily indebted, are already servicing their debt through video fees and calculate that they can upgrade their networks to carry lucrative phone and computer traffic for only about \$500 a subscriber.

The only reason the local phone companies look so healthy is that they are collecting monopoly rents for local service," said Mr. Serlin. He explained that although the regional Bell companies are teaming up to deliver video, wireless and other services in their own and other territories, the base of their business and their cash flow comes from their monopoly on local calls.

Internationally, this poses a fundamental dispute. Mr. Hundt has made it clear that U.S. policy is grounded in competition among all the lines of the information highway, which he argues will produce the lowest possible price levels and expand the industry.

European governments dragging their heels, especially

finance ministries that want to maintain temporary monopolies for their phone companies to boost the price the public will pay when they are privatized. But the French and German state telephone monopolies are not waiting. They invested in Sprint to ensure alternative trans-Atlantic connections. Meanwhile, American companies are trying to buy into European telecommunications through the back door; AT&T is seeking a share in France's troubled Bull computer group in return for a telecommunications license.

"The American view is that you can never have enough competition because that produces new applications as each network offers different and ingenious services," said Mr. Bane. "But the Europeans look at this and they see waste, waste, waste instead of a single, regulated system that will offer all the applications you can think of at a lower unit cost."

Which system will triumph? Which idea will prevail? Stay tuned.

**LAWRENCE MALKIN** is the New York correspondent of the International Herald Tribune.

and from the revenues they earn from switching these calls onto long-distance networks. When Congress permits competition at the local level, he said, "that will drain away the cash flow that makes them look like such powerful players now."

How long this will take is a matter of conjecture and depends largely on the time and money it takes to organize the competing networks.

William Bane, vice president of Mercer Management Consulting Inc., which analyzes the telephone market, believes that the short-term financial returns will not be sufficient to justify investing billions in a fiber optic coaxial network. But eventually, he concedes, the phone companies will lose their base and "that poor little copper wire will have nothing to do."

Internationally, this poses a fundamental dispute. Mr. Hundt has made it clear that U.S. policy is grounded in competition among all the lines of the information highway, which he argues will produce the lowest possible price levels and expand the industry.

Which system will triumph? Which idea will prevail? Stay tuned.

**LAWRENCE MALKIN** is the New York correspondent of the International Herald Tribune.

## Europeans Form Alliances

By Baie Netzer

granting approval to alliances."

This month, the Commission blocked a proposed joint venture between three of Germany's media giants, Bertelsmann, Kirch and state telephone company Deutsche Bundespost Telekom. The alliance sought entry into the pay television market.

But only a week later, European Union telecommunications ministers made a decision to abolish all telecommunications monopolies in 1998. That decision, say analysts, will likely reassure FCC officials that access to Europe exists for U.S. companies. It may thus expedite approval for the Sprint deal.

Under the Sprint agreement, Deutsche Telekom and France Telecom will pay a combined \$4.2 billion for a 20 percent stake in Sprint. A similar deal, in which British Telecom purchased 20 percent of MCI, has already gained regulators' approval. Sprint says it anticipates winning FCC approval by the first quarter of next year, and it expects to file formal notification with the EU next month.

"Right now the secret of success for both European and American companies is to form alliances," said Evan Miller, telecommunications analyst at Lehman Brothers in London. European companies benefit from their U.S. partners' resources and competitive know-how, he pointed out, while American companies gain entry into the European market.

Indeed, the race for the coming telecommunications boom in Europe is "giving every indication of being a three-horse race and it's no coincidence that the three major alliances all have U.S. companies at their core," Mr. Miller said.

In addition to the Sprint and MCI deals, experts cite AT&T's World Partners program as the third major alliance.

In June, AT&T announced that Unisource, a joint venture between telephone companies in the Netherlands, Sweden, Switzerland and Spain, would begin offering World Partners' services to multinational companies in Europe. The partnership is primarily marketing-based and does not involve joint investment in global networks.

With their sights set on at least a part of the \$50 billion market for international corporate voice and data services, a number of other alliances in Europe are working to set up private corporate networks or cellular phone services. Often, an American Baby Bell is present as one of the partners.

In Italy, for example, the computer maker Olivetti SpA has created an alliance with Bell Atlantic, Pacific Telesis, Sweden's Telia and Germany's Mannesmann to offer a mobile telephone network. In France, the construction company Bouygues SA is working with US West, Cable & Wireless PLC and Germany's Veba to build a digital cellular network.

In private, however, some European executives fear that market liberalization and new cross-Atlantic alliances will only pave the way for American companies to dominate the European telecommunications market.

"No one wants a trade battle but unless this is managed very carefully, you could see one develop," said Mr. Miller. "For now, political necessities dictate that American companies gain entry to Europe through alliances. When the markets really open up, then we'll see if American companies actually win licenses to operate on their own."

Indeed, that test may occur sooner rather than later. In mid-November, AT&T reportedly offered to invest about \$200 million in French state computer maker Cie. des Machines Bull in exchange for a French telecommunications license.

At the moment, European Commission officials say there are no plans to keep U.S. companies out of Europe's telecommunications markets "as long as European operators enjoy access to the United States."

"Liberalization has to do with more than just getting rid of a monopoly, it has to do with helping all European industry compete," said Mr. von Sydow in Brussels. "Telecom costs are the most important cost factor for European businesses, above wages or weather or anything else."

**BAIE NETZER** is a journalist who specializes in business and financial topics.

<b>Koninklijke PTT Nederland NV</b>	<b>Tele Danmark A/S</b>
138,150,000 Ordinary Shares	63,229,770 B Shares
Financial Adviser to the Company	Joint Global Coordinator
<b>DFI 6.9 billion</b>	<b>DKK 19.6 billion</b>
June 1994	April 1994
<b>US West, Inc.</b>	<b>Singapore Telecom</b>
22,000,000 Shares of Common Stock	Singapore Telecommunications Limited
Lead Manager	International Coordinator
<b>U.S. \$1 billion</b>	<b>SS 2.3 billion</b>
November 1993	October 1993
<b>Iridium, Inc.</b>	<b>CANTEL</b>
800,000 Shares of Common Stock	Rogers Cantel Mobile Communications Inc.
<b>U.S. \$800 million</b>	<b>15,000,000 Class B Subordinate Voting Shares</b>
Global Coordinator	Lead Manager
<b>U.S. \$1.4 billion</b>	<b>U.S. \$255 million</b>
May 1992	August 1994
<b>Telecom Corporation of New Zealand Limited</b>	<b>Vodafone Group Plc</b>
36,225,000 American Depository Shares representing 724,500,000 Ordinary Shares	200,791,110 Ordinary Shares
Global Coordinator	Lead Manager
<b>U.S. \$916 million</b>	<b>£341 million</b>
June 1994	October 1994

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## Europe Sets the Standard for Mobile Phones

By Robert Bailey

**L**ONDON — It is rare for Western Europe to carve out a prominent technological lead over both North America and the Far East. But Europe's decision to agree on a common standard for mobile digital telecommunications, taken at the start of the 1990s, has allowed a rapid development of mobile telephone markets in Europe and established the standard known as GSM — Global System for Mobile Telecommunications — in dozens of countries elsewhere.

GSM so far has been adopted by some 45 countries in addition to the initial 18 founder members. This has stimulated a dynamic market situation that has accelerated the rate at which GSM infrastructure and subscriber terminals have evolved and helped reduce costs of development.

**A**CCORDING to Bruno Masset du Biest, chairman of Société Française de Radiotéléphone and also chairman of the Dublin-based GSM Memorandum of Understanding group: "The GSM standard is accepted worldwide as the basis for new digital telecommunications and networks."

Industry consultant BIS Strategic Decisions forecasts

that 38 percent of the world's installed cellular telephone base will be provided by digital technology by the end of 1998, compared with 8.9 percent in 1994.

While the GSM memorandum was the result of years of debate and discussion the fact that agreement was reached on one digital standard was a great step forward for Europe,

Europe's decision to agree on a common standard for mobile digital telecommunications has helped make GSM the standard in dozens of countries elsewhere in the world.

Asia and is expected to dominate the first generation of digital cellular products.

China's Lian-Tong Communications Corp. is due to offer GSM services in Beijing, Guangzhou, Shanghai and Tianjin by the second half of next year as part of a \$3 billion investment in a national GSM network.

GSM networks are already operating in a few Asian countries. They are being planned in Indonesia, the Philippines, Cambodia, Vietnam, Taiwan and in India, where eight city-based GSM licenses have been approved.

according to Dean Evers, an analyst for the consulting firm Dataquest U.K. Ltd.

Shipments of GSM cellular telephones will overtake those of analog models next year. Within three years GSM shipments are expected to be 10 times those of analog. Dataquest forecasts.

Digital mobile telephones offer subscribers a number of improvements over earlier, analog models.

With the digital process, speech is transmitted as a computer-coded signal whereby voice patterns are converted and compressed into a numeric

code known as bits. The signals produced are not continuous in form but made up of pulses of electrical current representing the voice, fax or data to be processed.

The frequency adopted (900 Megahertz) allows a far more efficient use of the radio spectrum by operators. It also provides a much greater clarity of call with the characteristic background noise picked up by analog phones effectively eliminated. Because the signal is broken up in the digital system of transmission, calls are also much less susceptible to eavesdropping than analog systems, which transmit a continuous signal.

Initial teething difficulties associated with the introduction of digital services have now been overcome while production of GSM standard handsets is rising and prices coming down. These are factors likely to boost the growth of GSM subscribers, particularly in mature markets such as Europe where mobile telephones are well established.

GSM has proved popular in Germany, where Deutsche Telekom Mobil's D1 network and Mannesmann Mobilfunk's D2 system have some 750,000 subscribers.

GSM subscribers wherever they are can also use their mobile phones in other countries in which "roaming" agreements have been secured by service providers with other

GSM operators in those states. The system works because each GSM phone set requires a subscriber identity module, known as a simcard. The credit-card size module incorporates a microprocessor with information on the subscriber and his billing details. Once inserted into the phone, the card allows subscribers to make and receive calls and be charged to a home-based account if making calls abroad.

Handling voice traffic is but one aspect of GSM's versatility. Its digital design allows phones to integrate easily with computerized equipment, opening up the possibility of voice messaging and data transmission services for mobile users.

There is likely to be a growing impact on markets from handset products doubling as telephone, fax and personal computer.

BIS Strategic Decisions expects revenue from the transmission of mobile data to reach \$1.5 billion within the next three years and expects that more than 40 percent of this will come from digital cellular users.

Other industry analysts have drawn similar conclusions. Frost & Sullivan, the U.S. consultancy, believes that the next two years will be a major period of market development of GSM as users defect from analog.



Europe's mobile phone market has developed rapidly.

log services and new subscribers opt for the GSM standard. This stage will also witness a big development of data and messaging services, it predicts.

A trend is already apparent. Britain's leading cellular service provider, Vodafone, says that connections for the third quarter of 1994 show digital

subscribers rising in each month of the quarter.

There is a growing opinion that GSM is destined to replace not only analog mobile telephones but also fixed-wire services. In Scandinavia, new mobile connections are on a par with fixed-line connections. The same pattern is be-

ing repeated in Britain and elsewhere in Europe. According to Dataquest's Mr. Evers: "The future is totally with GSM."

**ROBERT BAILEY** is a journalist based in London who covers technology and aerospace.

## When Phone Service And Cable TV Meet

By John Burgess

**W**ASHINGTON — For decades the two American industries lived alongside each other, never venturing into the other's preserve. Local telephone companies carried talk; cable TV companies carried video. They had separate networks that did not connect, separate ideas on how best to run and finance a company.

Today, that long peaceful co-existence is near its end. New technologies and new freedoms granted by regulators are letting the industries confront each other head on. Telephone companies are upgrading their lines to carry video. Cable firms are revising their networks so that customers can plug in telephones and make calls. In the race are virtually all of the big names of the two industries. Companies are laying plans to offer entirely new services as well — interactive home shopping and "video on demand," in which customers would order a movie for instant electronic delivery to their sets.

"Everybody's trying to expand who they are — so they can be alive in the future," says Larry Plum, a spokesman for Bell Atlantic, a regional phone company based in Philadelphia.

Consumers, competition's advocates promise, will be the winners, getting a choice in services that traditionally have been offered take-it-or-leave-it style by monopoly providers.

But not everyone is so optimistic. Cable companies say they could be squashed by the much larger telephone companies. Consumer groups wonder if the two industries will weaken themselves by spending billions of dollars to offer new services that may not prove hits with consumers.

Cable-telephone competition is just one part of a broad deregulation of telecommunications in the United States that began in earnest with the break-up of the monopoly Bell Telephone System in 1984.

Europe, East Asia and much of the rest of the world are deregulating the industry as well, in a few cases faster than the United States. In the Britain, for instance, many cable companies already offer telephone service.

Development of flexible new technology has accelerated the trend. Phone companies, for instance, have figured out how to push a video signal down copper wiring, a feat that for years was judged impossible. Computer companies are developing electronic "servers" that can store movies in the digital language of computers and send them out on request.

The Washington D.C. area is becoming a testing ground for the two sides. SBC Media Ventures, the cable operator in Montgomery County, Maryland, a suburb of Washington, has applied for permission to offer telephone service in competition with the local phone company, Bell Atlantic. In another suburb, Alexandria, Virginia, a cable system owned by Jones Intercable is laying fiber-optic lines to homes and experimenting with local telephone service.

Phone companies believe that to succeed in the competitive market ahead, they must also reform corporate cultures that have grown slack under years of monopoly protection.

"You're seeing technology move faster than Bell companies are used to moving," says Frank Dzubek, president of Communications Network Architects, a Washington consulting firm. Companies where change was measured in decades, he says, must deal with technology that changes by the month.

As competition closes in, the sides are feuding over the fine print of new rules of competition. Cable companies are demanding the right to connect to the phone companies' networks, so that cable customers could call people who use the existing service. The phone industry says that if cable companies are going to offer phone service, they should be required to serve everyone, as phone companies are.

And many regulatory hurdles remain. "Both sides are going to need some go-ahead from politicians to be treading on each other's turf," said Robert Wells, senior analyst at market research firm Lennox Research of Boulder, Colorado.

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For wo

## Privatization Catches On

Continued from Page 15

communications carrier VSNL to international institutions.

The collapse of communism in Russia and Eastern Europe has also seen capitalism begin to embrace telecommunications. Deutsche Telekom, together with the Americans of the United States, paid \$875 million last year for a joint share in Hungary's Matav PTT company. The latter is now considering divesting another 10 percent of its stock.

The Czech Republic is planning to sell 27 percent of its national telecommunications concern SPT Telecom. Various international consortia are bidding for the stake, which is valued at \$1 billion. These include Bell Atlantic with France Telecom and a grouping of American Telephone & Telegraph Corp., the Dutch PTT and Swiss Telecom.

The path leading toward privatization is not always smooth. In Argentina, the first round of bidding for the public telephone service provider Entel was declared invalid, leading potential bidders to withdraw in exasperation. The process was eventually completed in 1991 with Entel split into a northern section, which was sold to Telefonica de Espana, and a southern concession, sold to a partnership comprising Italy's STET and France Cables & Radio.

Greece has also experienced protracted delays in the attempted privatization of its Hellenic Telecommunications Organization. This month, the country's national economy minister, Iamios Papadomou, declared that the proposed sale of a 25 percent stake in OTE had been put off "because the situation in world markets did not guarantee a satisfactory price for OTE's shares." The sale, which was expected to raise \$1.2 billion, is now scheduled for early 1995.

For any PTT organization however, privatization in itself is not a panacea. The follow-up demands changed management philosophies and workplace attitudes if its full benefits are to accrue.

After the merchant bankers have departed from the scene the corporate elements of change are often more difficult to implement. Probably the

biggest hurdle of all is recognizing the need and value of competition.

British Telecom was at the vanguard of privatization 10 years ago when it became a public company. A BT official admits that an end to state control required "a major culture change in attitudes towards customers and quality," but also provided it with freedom "to crack at the new opportunities offered by the information revolution."

BT sees itself as having changed from being an engineering-led concern to a service-led company. The next phase of development will reflect "the vast changes occurring in information technology and communications." These BT identities as mobile tele-

Probably the biggest hurdle of all is recognizing the need and value of competition.

phony, multimedia, teleshopping, home banking and entertainment.

There is however, a harsh social cost involved in the privatization process. In the past, telephone companies have been under as much or more pressure to maintain jobs as to provide competitive services. This constraint has lifted.

In the last four years BT has reduced its workforce by more than third, to 138,000 from 232,000. The target level is believed to be 100,000.

Koninklijke PTT Nederland, which floated 35 percent of its shares in June, plans to cut 3,000 out of 31,000 jobs over the next three years in an effort to raise productivity by 20 percent.

Deutsche Telekom, which plans a partial privatization in two years, has said its workforce needs to be reduced by 13 percent, to 200,000 employees, while those remaining need to double their productivity.

Company concerns are not entirely concentrated on slashing overheads. The operating

environment is a vital consideration for all. In the run-up to its share issue, Deutsche Telekom has called for clear regulatory guidelines for Europe's telecommunications industry to avoid deterring potential investors in its flotation. In a significant move this month, European Union governments agreed to end monopolies on their telecommunications networks by Jan. 1, 1998. This followed a prior pact to end monopolies on provision of voice services by the same date.

Some want things to go quicker and faster though. Britain, the Netherlands and France as well as Germany and future EU members Sweden and Finland are pressing the European Commission to come forward with proposals as quickly as possible to allow the use of cable TV, road, rail and energy networks for telecommunications services, other than basic phone calls, by next year.

It is a call for liberalization and an opening to competition that would have been unheard of until recently.

Fear of being left behind is acting as a powerful spur to operators who see themselves losing ground, and profits, as markets open up for enhanced telecommunications services.

Alliances are steadily being formed to address cross-border opportunities for value-added data and private network services.

An end to state controls is making this process easier and also encouraging a new type of telecommunications concern. For instance, Veba AG, the German energy group, is planning a 10 billion Deutsche mark (\$6.5 billion) investment targeted at gaining an eventual 10 percent share of Germany's telecommunications market.

French water companies such as Générale des Eaux and Lyonnaise des Eaux-Dumez and the British power concern Energie are among those making inroads into their domestic telecommunications markets.

It is certain that the world of telecommunications is going to look very different by the end of this decade from both a users and providers point of view. In this, privatization is proving a major catalyst.

## Phones Bring New Era for Hungarian Village

By Henry Copeland

KISOROSZI, Hungary — In their village, Maria Bordos and her family are neither poor nor rich. Like their more affluent neighbors, the Bordos family's cottage has indoor plumbing; yet, like many others, the family still relies on wood burning stoves for heat. What the Bordoses have in common with nearly every other family here in Kisoroszi, a village of 600 dwellings some 40 kilometers up the Danube river from Budapest, is the lack of a telephone.

"We applied for telephone in 1985. In 1988, we received a notice that said we were No. 5 on the waiting list," says the 56-year-old, laughing.

SOON, her wait will end. Employees of Hungary's national telephone company, Matav, are working weekends putting up telephone poles and installing lines in Kisoroszi. Next month, 300 new telephones will begin to ring, like church bells heralding a new era, in cottages across the village.

A year ago, Deutsche Bundespost Telekom and Ameritech International paid \$875 million for a 30 percent stake in Matav. Directed by the foreign partners, Matav will spend \$2 billion in the next three years to install one million telephone lines, many of them in villages like Kisoroszi.

The number of phone lines per inhabitant should triple before the end of the decade, bringing Hungary up to current Western European levels.

This will more than wipe out Hungary's current backlog of 735,000 phone applicants. Likewise across Eastern Europe, falling technology costs, foreign investment, and deregulation should eventually bring telephones to the other 22 million people that the International Telecommunication Union calculates are still on telephone waiting lists.

As in Kisoroszi, the most rudimentary telecommunications needs will be met with digital technology that permits the century's most sophisticated residential services — itemized phone bills, voice mail, call waiting, or call forwarding.

Leaping from one end of the century to the other, East European societies may well somersault, industry participants say.

Some Eastern Europeans are already hopping off of waiting lists for land lines and onto cellular phones. At the end of 1993, there were 95,000 cellular phones in Eastern Europe. Now, Hungary alone boasts 150,000 cellular subscribers. These customers are mostly entrepreneurs, who are adapting quickly to the new age.

"When we started voice mail in the States, we were excited when 10 percent used it," says Joseph O'Konek, deputy managing director for the cellular division of Eurotel, a joint venture between US West, Bell Atlantic and the Czech national phone company. "We launched it here last summer and 30 percent use it regularly. They didn't have answering machines to stop using," he explains.

Portable phone customers in Poland and Hungary use their phones an average of more than 400 minutes a month, triple the rates in Western Europe.

In Kisoroszi, the changes brought by telecommunications will be more subtle, but no less substantial. Most immediately, the reservoir of kitchieled women waiting to use the village's three pay phones, long a well of gossip, will evaporate.

And the doctor, teacher, mayor, and preacher who were previously privileged with the village's only private phones may find themselves treated with a little less deference by neighbors who no longer depend on their lines for incoming calls.

In the first three quarters of 1994, 270,000 Hungarians got phone lines, but Matav's waiting list declined by only 30,000 names, as people who had assumed they could never have a phone suddenly took hope.

This apparent enthusiasm is balanced by the fact that "a lot of people are going to take a long time to use even the most basic services," says Tim Nulty, managing director of the Central European Telecom Investment Advisors, a Budapest-based \$100 million investment fund. One in 10 Matav customers use the phone no more than a few minutes a month, company records show.

In part, this reluctance grows out of the region's political past. "Under communism, you knew every phone line could be tapped, so you used the phone to set up appointments, and that was it. You certainly didn't conduct business by telephone," says Mr. O'Konek.

Telephobia runs even deeper, argues Zoltan Pap, head of Matav's market research department. "This has been an information-hoarding society," he says. In a market economy, informed consumers choose freely among a variety of options. In contrast, under the command economy, "if you wanted a car, there was one firm you went to, except it was not really a firm, but an office. And you filled out forms, gave them your money and waited, sometimes for years," Mr. Pap says.

Consumers today retain the belief that the only way to get ahead in life — and in life — is through personal contacts, which means doing business in person. Many clerks who trained in the

former system also resist the telephone.

"Businesses are not yet used to doing business by phone, and Matav is just as guilty," admits Sharon Brant, a marketing consultant seconded to Matav from Ameritech.

Ms. Brant notes that Matav customers with digital lines still cannot use their telephones to request premium services like call waiting or call forwarding, but must still go into an office and fill out the appropriate paperwork. A fax won't do either.

And at least one unrefined Matav clerk has asked a customer to justify her need for call waiting.

To get Hungarians out of store lines and onto the phone lines, Matav will soon launch an ad campaign suggesting that by using the telephone to check the price and availability of goods, customers can save time and money. But, for the time being, Matav can go only so far in promoting its products.

"The trick is, because of the limited availability, you don't want to anger the public by promoting the luxury services like call waiting when three quarters of a million people are waiting for phones," Ms. Brant says.

Even as Matav struggles to become a seller rather than a rationer of telephone services, usage per line is falling. "This is my number one problem to understand," Mr. Pap says. According to the International Telecommunications Union, that the number of local



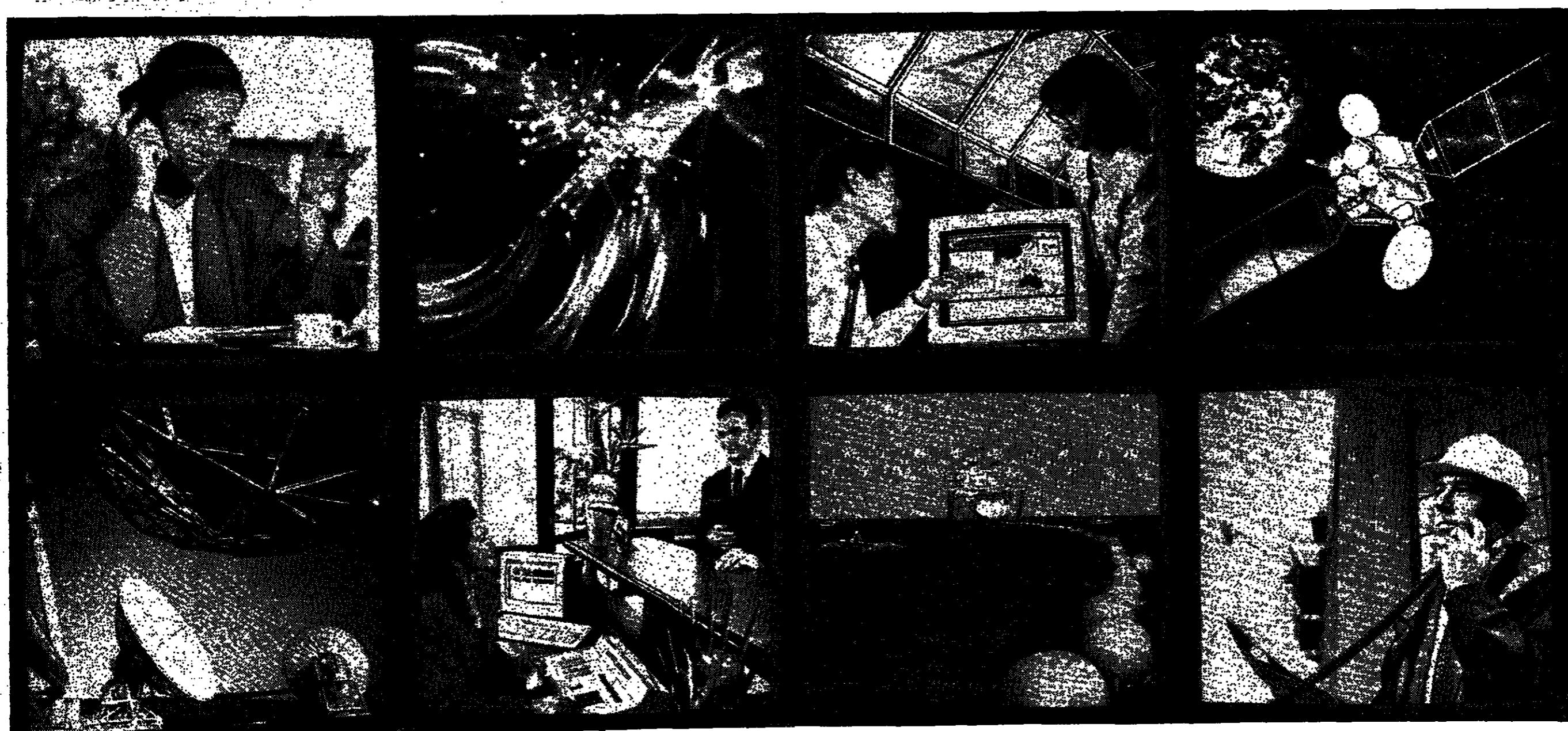
calls per line have dropped from 1,100 in 1990 to 1,000 in 1992 to 940 in 1993.

In part, Mr. Pap attributes falling line usage to Hungary's economic slowdown: GDP fell 20 percent between 1990 and 1992. Also, the relative cost of local calls has risen throughout the same period. Line use may also be dropping as businesses and government offices install systems to track phone use, thus curtailing the habit of making personal calls — especially international ones — from work.

OST importantly, Matav's widening phone coverage is diluting the economic and social sophistication of its core customer base. In 1989, the 600,000 Hungarian homes which had telephone lines housed the country's elite. Now, as telephone lines penetrate Hungary's other 3 million households, the average customer is becoming less educated, and less well off. These new customers tend to use the telephone less, Mr. Pap says.

Maria Bordos may yet turn out to be a good customer. She looks forward to calling her son who lives two hours away. Mrs. Bordos also thinks the new phone will allow her and her husband to market their homemade cheese.

HENRY COPELAND contributes to the International Herald Tribune from Budapest.



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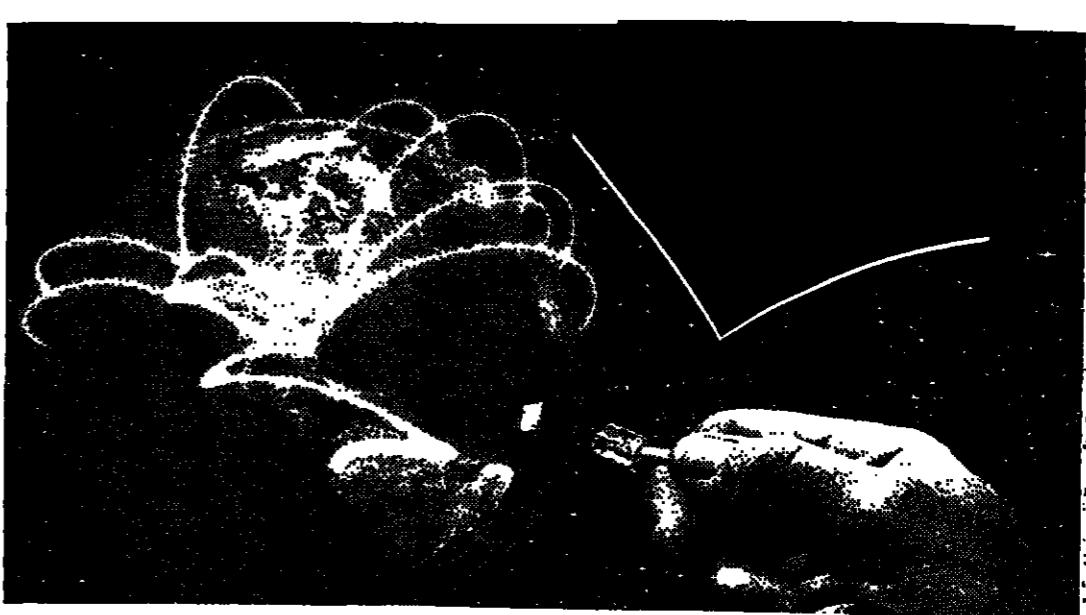


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pletely overhauled. Data lines are now available in every area. And the same applies to mobile networks, radio, television and, from 1995, ISDN – the new nervous system of European industry. In high-performance fiber optics technology, Eastern Germany even leads the field. As the world's first network operator, Deutsche Telekom is bringing fiber optics right to its customers' doorsteps in the eastern part of the country. So a sound basis has been created for a secure and successful future. Now it's up to investors to make a shrewd decision on where to set up business.

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## Telecommunications / A Special Report

## Cambodia Shows Technology's Limits

By Jon Lidén

**P**HNOM PENH — Back in 1991, as most people believed peace would soon be descending on Cambodia, many thought it was time to build a full-fledged telecommunications system covering the whole country. Together with a reliable road network, proper telecommunication facilities would tie the provinces together and get the war-ravaged country back to life. Such a telecommunications system would cost \$100 million, a master plan made by the Australian telecommunication company Telstra that year estimated.

Since then, 20 times that amount has been spent on getting peace and democracy in Cambodia, and roughly another \$1 billion has been earmarked for development aid between 1993 and 1995, but the roads are as bad as ever, and you still cannot pick up a phone and make a call between two Cambodian cities.

In fact, you can barely make a call across town. Most of the line network in Phnom Penh was put in by the Soviets and the Vietnamese many years ago. Its technology is antique, worn out and chronically breaking down. In Siem Reap, the country's most important tourist destination, as in most other provincial cities, you cannot make a call at all. Cambodia's case presents both the opportunities and limitations of modern technology in poor countries. Building an effective telecommunications system in a country of eight million people and only eight major towns is not technically difficult, both the international agencies and telecommunication companies agree.

Phnom Penh could be linked by microwave systems to the western towns of Battambang and Sisophon and to Thailand. A similar link could be made to eastern towns, to Vietnam and to the planned Hong Kong-Vietnam-Thailand fiber optic sea cable that is currently being laid. Other Cambodian towns could be linked by satellite and backed up by radio.

Yet the experience from Cambodia shows that in the end it is not technology but



telecommunications development. That plan is due the first quarter of next year.

"The advice to the government will be to retain a monopoly over the basic network and develop public-switching systems through cooperative agreements with commercial operators on a subcontract basis or some form of build-operate-transfer agreement," said Peter Booth, who is the ITU's advisor to the Cambodian government. "We stress that competition should be managed, and that all basic facilities and assets should be retained by the ministry, at least in the short and medium term."

**JON LIDÉN** is a journalist based in Hong Kong who travels frequently to Southeast Asia.

## U.S. Auctions Off the Rights to Its Airwaves

By John Burgess

**W**ASHINGTON — The sums are higher than anyone expected. In a series of auctions that began here in July, the U.S. government has received pledges of more than \$1.35 billion for something that since the start of the communications age it has handed out free — rights to use the airwaves for commercial purposes.

On sale are licenses to offer "personal communications services" such as pocket phones, advanced paging and interactive television. The revenue so far is just the start. In December, the first bidding begins on the pocket phone licenses, which many experts say is what the industry most values.

It is a clean break with the past at the Federal Communications Commission. Since the agency's creation in 1934, much of its work has revolved around assigning licenses without charge to parties who win lotteries or who in tedious, courtlike proceedings officials judge to be qualified and deserving.

Now, searching for ways to lower its budget deficit and to bring market-force efficiencies to the communications industry, Washington is selling the rights. With wireless communications already growing by leaps and bounds — there are now about 19 million cellular telephones in the United States — the industry is proving more than willing to bid.

Smaller companies, in fact, may bid so high for their licenses that they could get overextended and go broke, says Jerry Lucas, president of TeleStrategies Inc., a McLean, Virginia, consulting firm.

Federal officials point out that bankruptcies happen in any competitive market. They also note that license auctions have long taken place in the United States. They were private — the government never saw any of the money. People and companies who had won free licenses would quickly put them up for sale, in many cases before offering even a day's worth of service. Speculators reaped millions.

Now the FCC holds the gauntlet. Companies compete under elaborate rules in which round after round of electronic bidding is held until the price ceases to go up. Bidders use elaborate computer modeling and hire "game theorists" to try to second-guess what competitors will do.

Winners are meant to build

on the wireless revolution that began a decade ago with the introduction of cellular phones. Lying ahead, the industry promises, are pagers that can send as well as receive, pocket phones light and cheap enough for virtually everyone to carry, perhaps even handheld terminals that can send and receive video signals.

The market is seen as so big that officials are taking special steps to help small companies and ones owned by women and minorities win a substantial share in it.

Those that are built may struggle for customers. Existing cellular companies, for instance, have full coverage of their communities. The new companies will start with networks that offer only partial coverage, an embarrassing gap for services that supposedly let people communicate anytime, anywhere.

Some analysts conclude that the licenses will prove valuable, but in many cases not for years. Companies that ultimately succeed, Mr. Lucas says, will need "very deep pockets, patience and infrastructure."

**JOHN BURGESS** is a reporter for The Washington Post.

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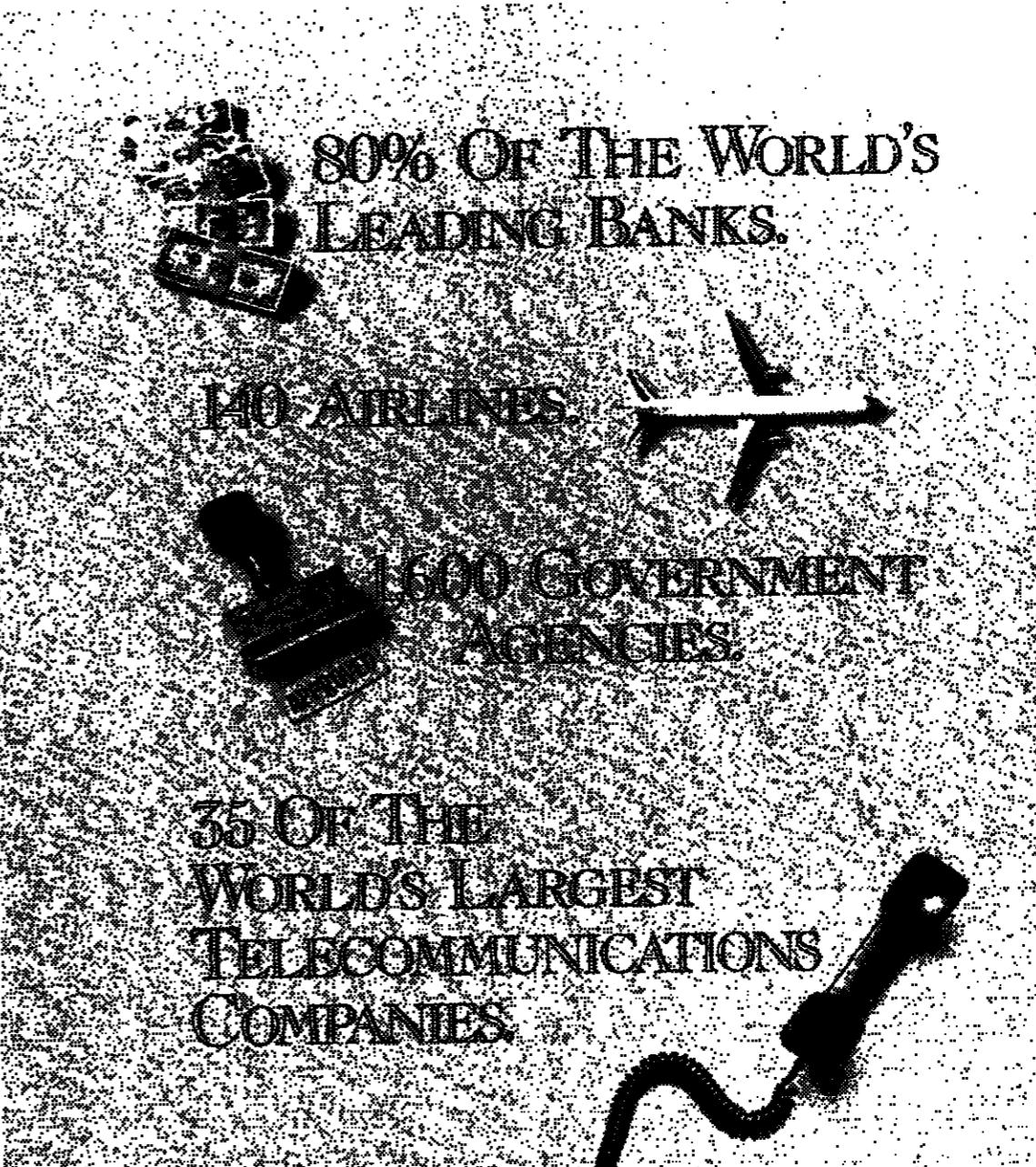
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**JOSEPH FITCHETT** is on the staff of the International Herald Tribune.



# SPORTS

## Hoyas Fall To Vengeful Arkansas

*The Associated Press*  
MEMPHIS, Tennessee — Nolan Richardson is ready to make a permanent reservation for the Martin Luther King tournament.

His top-ranked Arkansas Razorbacks beat No. 14 Georgetown, 97-79, on Sunday in what was more like a home game than what the Black Coaches Association hopes is an annual fund-raiser.

"I'll play this here every year," Richardson said.

The Razorbacks (1-1), the first national champs to return five starters since UCLA in 1967, rebounded from a 104-80 loss to third-ranked Massachusetts on Friday night.

"We looked at this game as a test of our manhood," said the Arkansas forward Corliss Williamson. "There was no sulking or a chance for pointing fingers after losing to UMass."

Williamson, who looked out of synch against UMass, rebounded with 22 points, 16 rebounds and six assists.

"Maybe we needed to get slapped in the face the way UMass did to us," Williamson said. "Everybody had been trying to do it by themselves, and that's not what we did last year. Now we're playing like a team. I was tentative the other night and coach talked to me about that."

Scotty Thurman and Clint McDaniel had 16 points each for Arkansas, while Reggie Garrett added 15.

"Anybody that didn't expect Arkansas to come back like they did is a fool," said Georgetown's coach, John Thompson. "They were national champions and are an excellent team. They got humbled a bit and came back. When I saw Nolan's face yesterday I said, 'Oh, hell.' I knew."

The freshman Allen Iverson, who averaged 37.5 points in the Hoyas' two exhibition games, was 5-for-18 from the field with eight turnovers against Arkansas. Iverson had 19 points, while George Butler added 17.

Arkansas didn't wait long to take control against Georgetown (0-1). The Hoyas led 17-15 when Garrett keyed a 15-3 run that made it 30-20 with 8:51 left in the first half. Garrett, a transfer from the University of New Orleans, hit two jumpers and a layup during the run as Georgetown missed five shots and turned the ball over twice.

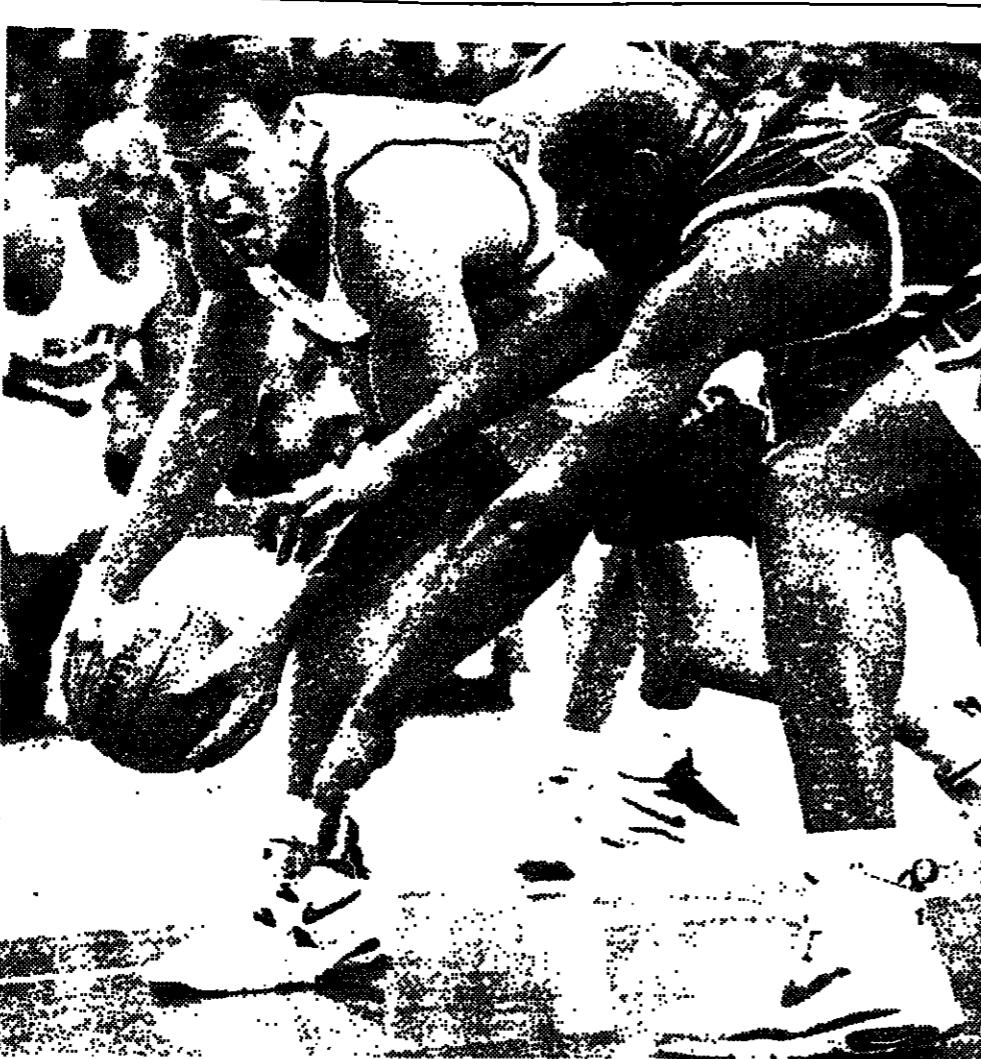


Photo by Tim Stoen/The Associated Press

## Manning Steps In to Lift Suns

*The Associated Press*

The Phoenix Suns didn't have Charles Barkley again. Instead, Danny Manning took center stage — again.

"Every night we have somebody else step up," said Manning, who scored 10 of his 18

### NBA HIGHLIGHTS

points in the fourth quarter of the Suns' 115-110 victory over New Jersey on Sunday night in Phoenix. "We have a lot of guys who can go out and play and be very versatile. I think we can hold the fort until they can come back."

Barkley was back on the bench with a sore abdominal muscle. No matter.

With Manning averaging 20 points, leading the fourth-quarter surge, Phoenix captured its third consecutive game.

Pistons 106, Warriors 91: Grant Hill and Joe Dumars scored 21 points each as Detroit handed Golden State its fourth straight loss, all on the road.

first lead since the opening minute of the second quarter.

That's when Manning took over. He converted a three-point play and sank two more free throws all in a 25-second span. That keyed a 7-2 run that gave the Suns a 108-104 lead with 2:51 to play.

Terry Mills had 20 points and 14 rebounds for Detroit. Tim Hardaway scored 19 and Tom Gugliotta 18 for the Warriors.

Trail Blazers 99, Pacers 89: Clyde Drexler snapped out of a long-game shooting slump and scored nine fourth-quarter points as Portland snapped visiting Indiana's four-game winning streak.

Clifford Robinson led the way with 17 points, while Buck Williams had 16 and Drexler 15 for the Blazers.

Reggie Miller scored 20 and Rik Smits, despite foul trouble, had 19 for the Pacers, who were playing the opener of a four-game West Coast trip.

The Pacers, who had 23 turnovers, attempted a team record-low of 59 field goals.

## FIFA and France at Odds Over '98 Site

*Compiled by Our Staff From Dispatches*

PARIS — Joao Havelange, president of world soccer's governing body, FIFA, suggested Monday that Strasbourg be added as a host city for the 1998 World Cup, irritating French organizers, who have completed their selection of venues for the tournament.

Havelange said after meeting organizers that Strasbourg had symbolic importance because it bordered Germany and was home to the European Parliament.

His comment, at a news conference, clearly annoyed French officials, who after a painstaking selection process omitted Strasbourg from the final list of 10 cities to host matches in 1998.

"For us, the dossier is closed; there's no question of any changes whatsoever," said Francois Kosciusko-Morizet, government liaison to the organizers.

"If Strasbourg was added, we'd have to eliminate another city," he added.

The cities chosen to host the 64 final-round matches are Bordeaux, LENS, Lyon, Marseille, Montpellier, Nantes, Paris, Saint-Etienne, Toulouse and the Paris suburb of Saint-Denis, where a new stadium is being built to accommodate the opening and closing matches.

Havelange suggested that the number of host cities could be increased to 12.

But he failed to convince Michel Platini, the former French star who is head of the organizing committee.

"I cannot see how we could go back to Strasbourg," Platini said. "For me, it is out of the question. Local politicians should have made their decision earlier."

Strasbourg city officials had expressed doubts about their ability to raise the funds needed to convert the local stadium

um to World Cup standards. Meinau Stadium has 17,000 seats and standing room for 24,000, while FIFA requires at least 40,000 seats for a World Cup venue.

(AP, Reuters)

### FA Extends Grobelaar Deadline

The Zimbabwean goalkeeper Bruce Grobelaar on Monday was granted more time by England's Football Association to answer allegations that he had taken bribes to fit Premier League matches. Reuters reported from London.

The FA originally gave the Southampton player 14 days, ending on Monday, to submit evidence in his defense.

Both sides agreed an extension is desirable, partly because of the complexity of gathering material, an FA spokesman said. "There is no new deadline but obviously we would expect something to start moving in the next couple of weeks."

### CROSSWORD

**ACROSS**  
1 Record player 14 The King's middle name  
2 Part of a radio 15 Deal (with)  
3 Rehearsal 16 Forgo  
9 Conclude 17 Bach's — in successfully

18 Place for Pete? 20 Part of a radio wave  
22 Group of nine 23 Blocked  
24 One-liner 25 Fraternity letter  
26 Kind of cue 28 Con artist's game  
29 "Easy Aces" medium  
30 Rap's Salt-N-Pepa, 6.0  
36 — Annie ("Oklahoma!" role)  
37 Doing a takeoff 38 Canadian prov.  
39 Upper cut?  
40 Spotted 42 Regarding  
43 "Dallas" actor Howard  
44 Diner sign 45 — Doubtful  
46 Ousted 47 Ugandan  
48 Argentine, grasslands  
51 Seasonal pick-me-up  
54 90 arc  
56 Place for Tyrone?  
58 — Brule?  
59 Like some gases  
60 Actress Merrill  
61 A whole lot  
62 Make the air fragrant  
63 Call from the mineral  
64 Unnamed ones

1 Radical Midwest group  
2 Shiraz native 3 Place for Jodie?  
4 Discernment 5 Young haddock  
6 Ruffian 7 Semicircular church section  
8 \$1000, stonily 9 Ritz  
10 Showing sincerity  
11 Not on target 12 Part of the eye  
13 Hang in the balance  
19 Science course  
21 Prefers with liberal  
24 Nightclubs 26 Pori Moresby resident  
27 Pindar, e.g.  
29 Place for Ben?  
30 — We Got Fun?  
31 Marquand sleuth  
32 Trunk cover  
33 Direction for Sotzi  
34 Andrew Johnson's birthplace  
35 Book-lined room  
36 Like Homer's "Iliad"  
37 Missing 39 Vardon of "Red Head"  
40 Carpenter machines  
42 Antimacassar locale  
43 Epithet for Anthony Wayne  
47 Malory's "Le d'Arthur"  
48 Hymn of praise  
49 Architectural piers  
50 Book-lined room  
51 Like Homer's "Iliad"  
52 Missing 53 Vardon of "Red Head"  
54 Epithet for Anthony Wayne  
55 Malory's "Le d'Arthur"  
56 Hymn of praise  
57 Ladies' room, of a sort

58 Book-lined room  
59 Like Homer's "Iliad"  
60 Missing 61 Aches Merrill  
62 A whole lot  
63 Make the air fragrant  
64 Unnamed ones

65 Book-lined room  
66 Like Homer's "Iliad"  
67 Missing 68 Vardon of "Red Head"  
69 Epithet for Anthony Wayne  
70 Malory's "Le d'Arthur"  
71 Hymn of praise  
72 Ladies' room, of a sort

73 Book-lined room  
74 Like Homer's "Iliad"  
75 Missing 76 Vardon of "Red Head"  
77 Epithet for Anthony Wayne  
78 Malory's "Le d'Arthur"  
79 Hymn of praise  
80 Ladies' room, of a sort

81 Book-lined room  
82 Like Homer's "Iliad"  
83 Missing 84 Vardon of "Red Head"  
85 Epithet for Anthony Wayne  
86 Malory's "Le d'Arthur"  
87 Hymn of praise  
88 Ladies' room, of a sort

Puzzle by Bernice Gordon

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Solution to Puzzle of Nov. 28

ARKS COOER ALP  
LEIA HAUTE RIVE  
ALL THE KING'S MEN  
PRINCESS DAISY  
EIS HES ASST  
ECHO RESTORED WED  
THE EMPEROR JONES  
VAT SALTIES  
SWAB TACK  
IDIO LOA RHO  
PRINCE OF FIRES  
LORD OF THE FLIES  
AXE DEARS AINT  
XYZ ERLES SITS

## Top Swimmer Among 11 Chinese Said to Fail Asia Games Drug Tests

Compiled by Our Staff From Dispatches

TOKYO — The Chinese swimmer Lu Bin, who won four golds and two silvers last month at the Asian Games, was one of 11 Chinese athletes who tested positive for drugs at the Games, the Kyodo news agency reported on Monday.

Kyodo, quoting sources at the Olympic Council of Asia, said eight of the athletes who tested positive were swimmers.

Lu set a world record in the 200-meter individual medley at the Games on Oct. 7. She also won gold medals in the 50-meter freestyle and in two relays, and won silver medals in the 100-meter freestyle and 100-meter backstroke.

At the World Championships in Rome in September, Lu won the 200 individual medley plus two relay golds and finished second in the 100- and 200-meter freestyle events.

Kyodo said the world 400-meter freestyle champion, Yang Aihua, who had already been banned for two years by FINA, the sport's world governing body, was also one of the eight swimmers.

Lu was found to have excessive levels of testosterone, which is prohibited under FINA rules.

Lu's three other positive tests involved a track and field athlete, a cyclist and a canoeist.

Dr. Yoshio Kuroda, who supervised the final set of tests conducted in Tokyo on Saturday, confirmed that high testosterone

levels were found in both A and B samples for some athletes.

A formal hearing of the Olympic Council of Asia's medical committee, which Kuroda chairs, must be held before results of the tests can be made public. Such a meeting could come within the next week.

Earlier Monday, Muttabal Ahmad, director-general of the council, said he had been informed that 11 Chinese had tested positive but declined to identify the athletes or say in which events they had competed.

He said final tests would be carried out to confirm the findings.

"We expect a final and official report on this situation to reach us by the end of tomorrow and only then can the OCA make an official statement on this matter," he said Monday.

An official in the information section of China's National Sports Commission in Beijing said: "We have not received any information from the Olympic Council of Asia, so we cannot make any comment."

In Lausanne, FINA said it had no information on any positive tests.

"We have not received any information from the organizers of the Asian Games," said FINA's director, Cornel Marculescu.

"It is up to them to take a decision first and then to inform us, but we have no information yet."

Last week, FINA banned Yang after she tested positive for excessive levels of testosterone. She was tested just before the Asian Games, on Sept. 30.

Yang won the 400-meter freestyle at the World Championships in September, part of a Chinese onslaught that stunned the sport. Chinese women won 12 of the 16 golds at stake and set five world records.

Although they did not name China, more than a dozen coaches at the championships lodged a formal complaint over doping in the sport and requested stricter tests. That led to the surprise testing just before the Asian Games began Oct. 2.

FINA officials said the results of those tests indicated possible drug use among several other Chinese women swimmers, but were inconclusive.

Chinese authorities said Yang's action was an isolated case and denied charges that Chinese athletes practiced systematic use of performance-enhancing drugs.

Five Chinese swimmers have failed doping tests over the past two years — equaling the total number of athletes from other countries that have tested positive in FINA tests over the past 22 years.

Yang is at least the 34th Chinese athlete to fail a doping test since 1987. Chinese officials acknowledge that 24 of their athletes tested positive last year.

(Reuters, AP)

### INTERNATIONAL CLASSIFIED

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